

STATE OF MICHIGAN
 DEPARTMENT OF MANAGEMENT AND BUDGET
 PURCHASING OPERATIONS
 P.O. BOX 30026, LANSING, MI 48909
 OR
 530 W. ALLEGAN, LANSING, MI 48933

June 14, 2007

CHANGE NOTICE NO. 1
TO
CONTRACT NO. 071B7200272
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR J P Morgan Chase 270 Park Avenue New York, NY 10017 jason.c.howard@jpmchase.com	TELEPHONE (610) 431-1672 Jason Howard
	VENDOR NUMBER/MAIL CODE
	BUYER/CA (517) 373-1080 Melissa Castro, CPPB
Contract Compliance Inspector: Ken Mitchell Statewide Procurement Card	
CONTRACT PERIOD: From: June 1, 2007 To: May 31, 2010	
TERMS <p style="text-align: right;">N/A</p>	SHIPMENT <p style="text-align: right;">N/A</p>
F.O.B. <p style="text-align: right;">N/A</p>	SHIPPED FROM <p style="text-align: right;">N/A</p>
MINIMUM DELIVERY REQUIREMENTS <p style="text-align: center;">N/A</p>	

NATURE OF CHANGE(S):

The attached amendment is hereby incorporated into this Contract (see attached). All other terms, conditions, specifications, and pricing remain unchanged.

AUTHORITY/REASON:

Per DMB/Purchasing Operations.

TOTAL ESTIMATED CONTRACT VALUE REMAINS: \$150,000,000.00

IN WITNESS WHEREOF, the Bank and the State have caused this Amendment to be executed by their respective authorized officers as of the effective date written above.

JPMORGAN CHASE BANK, N.A.:

By: Clare T. Trauth
Name: CLARE T. TRAUTH
Title: Vice President

STATE OF MICHIGAN:

By: Melissa Castro
Name: Melissa Castro
Title: Buyer Manager

STATE OF MICHIGAN
DEPARTMENT OF MANAGEMENT AND BUDGET
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

May 11, 2007

NOTICE
TO
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between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF VENDOR J P Morgan Chase 270 Park Avenue New York, NY 10017 jason.c.howard@jpmchase.com	TELEPHONE (610) 431-1672 Jason Howard
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Estimated Contract Value: \$150,000,000.00



**STATE OF MICHIGAN
Department of Management and Budget
Purchasing Operations**

Contract No. 071B7200272
Statewide Procurement Card Program

Buyer Name: Melissa Castro, CPPB
Telephone Number: 517-373-1080
E-Mail Address: castrom@michigan.gov



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ATTACHMENTS

Exhibit A - Commercial Card Agreement



Article 1 – Statement of Work (SOW)

1.0 Project Identification

1.001 Project Request

The purpose of the Contract is to provide the State of Michigan with a highly accepted card program that will facilitate the ability to make purchases through the use of a no fee, no cost, revenue sharing with the State of Michigan, credit card program.

The credit card program will be used as a method to:

- 1) Increase the efficiency of low dollar purchases through the purchasing system by eliminating or reducing manual steps, costly paperwork, and administrative overhead;
- 2) Ensure sales tax is not paid for the purchase of goods;
- 3) Provide a flexible and automated, yet accountable, purchase and payment process for these lower dollar transactions;
- 4) Provide the State with a purchasing tool that provides useful spending measurement information by vendor or merchant category code;
- 5) Electronically interface between the State and the Contractor's financial and accounting processes in the most efficient and effective manner;
- 6) Ensure efficient turn time on transaction payment and maximize revenue sharing opportunities;
- 7) Must be able to provide the State of Michigan with data analysis of direct voucher spend as provided to you from our MAIN accounting system, to merchant/retailers that accept your company's credit card. This analysis is to report opportunities to expand the credit card program as a payment method within the State of Michigan;
- 8) Provide tools for an automated interface between transactions and existing contracts maintained on the State's procurement system electronically;
- 9) Provide State with transaction auditing methodology.

1.002 Background

The State of Michigan Procurement Card Program serves the executive, legislative and judicial branches government, which is divided into 23 departments or agencies. Approximately 3,800 accounts are active in any one-month time period. The program provides the ability to make commodities and non-1099 reportable services transactions with a \$2,500 single transaction limit. Annual spend for the last three (3) fiscal years in the program averaged \$42.2 million with approximately 170,000 transactions per year.

Currently, the State is utilizing a web-based system maintained, managed and hosted by the Contractor. A statewide program administrator provides program support and direction to all departments with full access to all functionality. Department program administrators typically maintain cardholder accounts at the Agency level, with some duties performed by the contractor. Agency duties currently include creating new accounts, name changes, transaction spend and count limits, and closing accounts. Each cardholder has account coding assigned that is applied to their individual transactions. The State of Michigan uses a two-week purchasing cycle that begins on a State of Michigan payday and ends on the Wednesday prior to the next payday. During the "current" cycle and seven (7) days after the close of a cycle the account coding assigned to the individual transaction can be modified on-line by authorized employees to ensure the appropriate funding source for the transaction is applied. At the close of business seven days after the close of a cycle (after 5:00 p.m. EST) the Contractor creates an electronic inter-face ASC-II text data file and "locks" the transactions on their system as posted, restricting them from future modifications. This file contains each transaction for the previously closed cycle; the data is formatted to the State of Michigan MAIN accounting system data file format. Data file layout must be developed to meet the State of Michigan MAIN R*STARS account system format. The import posts each transaction to debit the assigned account and credit a central account. The Department of Management and Budget is responsible for payments to the vendor for all charges in the program. This import file must balance to the spend total for the cycle.

The information on the web-based system is used for reports, both standard and custom. Criteria for reports are developed by query settings. These criteria include access to cardholder, supplier and transaction records; ad-hoc query functions on cardholder, suppliers, and transaction data; input or automatic default accounting codes; and interface file to expense general ledger.



1.1 Scope of Work and Deliverables

1.101 In Scope

The Contractor must provide a highly accepted card program that will facilitate the ability to make purchases through the use of a no fee, no cost, revenue sharing with the State of Michigan, credit card program, according to the specifications listed in this contract.

1.102 Out of Scope - Reserved

1.103 Environment – Reserved

1.104 Work and Deliverable

Contractor shall provide Deliverables/Services and staff, and otherwise do all things necessary for or incidental to the performance of work, as set forth below. The work and deliverables are divided into three sections: (A) Program Specifications, (B) Card Processes and Specifications, and (C) Program Enhancements.

A. Program Specifications:

1. Acceptance:

The issued cards must have a very high acceptance among merchants worldwide and especially in the State of Michigan, both Lower and Upper Peninsulas.

Contractor Response:

As one of the few dual-card issuers in the industry, JPMorgan Chase offers the flexibility of either Visa or MasterCard—the two most widely accepted card brands in the industry. This ability to issue on either platform has created a ready merchant base of more than **25 million locations** worldwide, including 6.1 million in the United States alone. Furthermore, Visa and MasterCard are continually working to increase global acceptance through several initiatives aimed at expanding their worldwide networks of business-to-business merchants. More importantly, JPMorgan Chase can provide your employees with the satisfaction and confidence of conducting business transactions with greater ease, security, and flexibility.

2. Billing

The State of Michigan currently cycles bills every 14 days. A statement is created in-house from the Purchasing Card database. The Contractor must provide electronic billing.

- a. Contractor must provide billing options.

Bidder Response:

JPMorgan Chase offers a central bill/central payment option for our purchasing card, with 28 billing cycles from which to choose. As the State of Michigan currently uses the PaymentNet™ system for billing and payment, your program administrators can continue to generate electronic statements directly from your internal purchasing card database. Given that our mappers (i.e., data interface files) are already in place, and our processes are defined and in place, the State can continue its existing relationship with JPMorgan Chase and experience no interruption in service and no cost to implement a new provider.

JPMC's processor TSYS (TS1) offers a bi-weekly billing cycle. Bi-weekly means that we pick a day of the week (Mon-Fri) and then the billing account will cycle and a bill will produced on that day's work every other week. The State of Michigan's program is currently supported by the processor EDS. If this is a desirable option for the State, we can discuss how this can be supported and under what timeline.



- b. Contractor must have a billing dispute resolution process.

Contractor Response:

JPMorgan Chase offers a clearly defined process for initiating and tracking claims against incorrect charges. To facilitate this process, we offer a unique ability—online dispute initiation and tracking through PaymentNet, with the disputed item noted on the following month's statement. The amount of the dispute is removed from the balance due until resolution.

As an additional time saver, a dispute form is generated online through PaymentNet with pre-populated information. This allows cardholders to fill in the dispute reason field (see screen shot below) and submit the dispute notification directly to our disputes department, eliminating the need to print and fax the online form. (However, we can also accept dispute notifications by phone, fax, or U.S. mail.)

Disputed transactions appear in PaymentNet with a yellow square icon (for dispute initiation), red square icon (for dispute processing) or green square icon (for dispute resolution). These indicators will help you identify disputed items, which can be queried and reported on. A standard Transaction Detail report is also available, with detailed transaction information (including dispute information) delineated by cardholder.

Dispute Timeframe

Disputes must be initiated within 60 days from the statement billing date. Our disputes department will begin researching the charge within five business days. Upon resolution, outcomes are noted on the following month's statement, and credits are made accordingly. Cardholders are kept informed of their dispute's progress through written notifications. Resolution generally occurs within an average of 45 to 90 days.

- c. The Contractor must have a process to balance with the State of Michigan billing cycle.

Contractor Response:

As JPMorgan Chase offers 28 different billing cycles for our purchasing cards, we can continue to accommodate the State of Michigan's current billing cycle (i.e., every 14 days). As monthly billing statements are not a balancing option in our scenario, we will utilize the extensive reporting available in PaymentNet to ensure that we are in balance.

- d. The State of Michigan is interested in the merits and feasibility of using a billing cycle other than the current two-week cycle. The Contractor must have flexibility and efficiencies available in the program related to the billing cycles.

Contractor Response:

As previously stated, we offer 28 different billing cycles, with shorter cycles tied to improved rebates. Not only can we accommodate cycles outside of the above-referenced two weeks, we can help you select the option most appropriate for the State's specific needs.

3. Controls/Restrictions

CASH ADVANCES ARE STRICTLY PROHIBITED along with any type of banking financial transactions such as money orders, checks, bonds or transfers. The Contractor must provide controls that will prevent the use of the card for cash advances, or for purchasing commodities or services with certain vendor types. For each cardholder, the State of Michigan shall be able to select predetermined purchase and activity limits. Controls including, but not limited to, dollar and activity limits for single transactions, by day and month, being able to determine acceptable Merchant Category Codes that cardholders may use.



- a. Document the Contractor's transaction authorization process.

Contractor Response:

All automated transactions are authorized within the MasterCard system with the assistance of our third-party processor, EDS. Manual authorizations can be given by calling our cardholder support team.

The following is an overview of our transaction flow and authorization process:

Step 1—Using a JPMorgan Chase MasterCard, the cardholder initiates the transaction with the merchant.

Step 2—The merchant requests approval at the point of sale.

Step 3—The data flows to the merchant bank's acquirer.

Step 4—The data flows to EDS, JPMorgan Chase's transactional processor, which authorizes the transaction after passing control/limit parameters.

Step 5—EDS sends daily transaction file to JPMorgan Chase and MasterCard's Global Data Repository (GDR).

MasterCard's GDR can also consolidate data from multiple issuers for a multinational corporate and send that consolidated data to JPMorgan Chase.

Step 6—JPMorgan Chase posts transaction data to PaymentNet daily.

Step 7—Transaction information is available for reporting and downloading from JPMorgan Chase. MasterCard can also send data directly to the corporate client in a variety of formats for loading into expense management and ERP systems.

Step 8—Cardholders access updated information in PaymentNet via the internet.

- b. The Contractor must have the capability of issuing purchasing cards with the following controls and the ability to modify these limits on accounts:
- Transaction limits
 - Daily limits
 - Monthly limits
 - Vendor/merchant category type restrictions

Contractor Response:

The JPMorgan Chase card offers exceptional spending security, allowing your program administrators to establish all of the above-referenced control options. Specifically, your program administrators can set transaction limits, daily limits, monthly limits, and Merchant Category Code (MCC) limits for any level of your hierarchy (including by individual, department, or your entire organization) based on your policies and procedures. These card controls ensure prudent handling as transactions are quickly denied at the point-of-sale if they do not meet your requirements. JPMorgan Chase also offers the State additional card control benefits through PaymentNet, allowing most controls to be modified at any time with changes effective immediately.

- c. Contractor must have available multiple level of controls at the cardholder level

Contractor Response:

All card controls are available at the cardholder level.

4. Customer Service

The Contractor must maintain a 24-hour help line for cardholder problems and emergencies. This help line must be available at no additional cost to the State.

- a. The Contractor shall define the process for providing individual cardholder customer service.

Contractor Response:

To assist your cardholders with account-related problems and emergencies, we offer three dedicated call centers and an industry-leading voice response unit (VRU). Note that all of our call centers, as well as our VRU, are available 24 hours a day, seven days a week through a toll-free telephone number. On average, our response time is less than 20 seconds with representatives dedicated to the commercial card product only.



JPMorgan Chase representatives are empowered to make decisions and act on behalf of the cardholder. When issues cannot be resolved immediately on the call, a time commitment is communicated back within 48 hours. We also have a comprehensive quality improvement program that monitors both the speed and accuracy of the service we render. We track performance through a number of quantitative measures with defined benchmark industry standards. JPMorgan Chase's customer service team regularly meets or exceeds the established response times/goals

- b. The Contractor shall have resources dedicated to the State of Michigan customer support for the statewide program administrator and the department administrators.

Contractor Response:

Relationship Manager

In order to guarantee the highest levels of support for your program and department administrators, we offer the service of **Debbie Rauschert** as your dedicated relationship manager. A proven expert in the commercial card industry, Debbie has access to variety of internal tools and resources including best practices from our clients and partners. Not only will Debbie take responsibility for your program and deliver customized solutions, he will continue to serve as a point of escalation while maintaining overall customer satisfaction.

Debbie will be further supported by **Charles A. "Chuck" Dillard**, who will coordinate all aspects of your commercial banking relationship with JPMorgan Chase

Your relationship manager's responsibilities include:

- Establishing key relationships with senior executives to manage client satisfaction
- Conducting periodic on-site program reviews and meetings
- Developing and implementing industry best practices
- Integrating expansion service to fully maximize growth

Program Coordinator

In addition to your relationship manager, your administrators will receive the support of a dedicated program coordinator, **Mat Doeblor**. The State's program administrators can go to your program coordinator with inquiries, changes, operations, and technical resolutions. Your program coordinator will have access to your organization's program specifics in order to provide fast, efficient service.

Responsibilities include providing:

- Daily program support
- Delinquency management support
- Credit monitoring support
- Corporate liability waiver filing support
- Back-up services for relationship managers

Training

Account management staff members receive industry training on a regular basis provided by JPMorgan Chase personnel. In addition, relationship managers receive certification training on our reporting platforms, including PaymentNet. Relationship managers are also responsible for participating in our customer conferences and for attending industry trade shows.

Rotation of Staff

Specific to customer service personnel, our rate of attrition is less than three percent per month. The typical experience level of a relationship manager is between four to five years

It should also be noted that JPMorgan Chase will provide adequate staffing to meet the State's needs. JPMorgan Chase regularly monitors and measures the service that we provide and reports these measurements back to senior management. If service levels fall below our minimum accepted performance levels, those issues will be examined and resolved immediately.



- c. The Contractor shall commit resources to the purchasing card program.

Contractor Response:

According to the latest Nielsen ratings, JPMorgan Chase is the largest issuer of purchasing card globally. As such, JPMorgan Chase Commercial Card Solutions is 100 percent committed to the commercial card industry. This commitment to the business is evidenced by the aggressive marketing and growth of our programs, including over 15 generations of our industry-leading software, PaymentNet.

However, PaymentNet is only one part of a much larger initiative. At JPMorgan Chase, we are dedicated to providing not just a single payment solution, but an entire continuum of products designed to bring the best possible value to our diverse client base. Our comprehensive suite of products from all areas of the payables continuum provides ease of access to valuable tools such as online reconciliation, customized reporting, accounts payable process automation, working capital management, and a variety of eCommerce applications, including our innovative ExacTrac account solution.

We are also heavily invested in customer service. Approximately half of our employees work in our operations and customer service facilities that include billing and settlement, account collections, security and fraud, technology, delivery, and cardholder support. Clearly, this is a business JPMorgan Chase continues to invest in.

- d. The Contractor shall offer 24-hour purchasing card service assistance.

Contractor Response:

Through dynamic call routing, we direct cardholder calls to the next available representative at our three commercial card customer service call centers located in Elgin, Illinois, Salt Lake City, Utah, and Pune, India. These individuals maintain the highest levels of service and work with cardholders across the globe to resolve issues and answer questions for your cardholders. It should be noted that these customer service representatives at all three sites are dedicated to the JPMorgan Chase commercial card program and do not service consumer cards or any other bank products.

- e. The Contractor will provide training to their telephone service representatives.

Contractor Response:

Our customer service staff members attend an initial four-week training course when entering the commercial card group. The initial training focuses on system navigation, following approved policies and procedures, and customer experience training. The additional training consists primarily of job improvement, personal development, and information transfer.

Each month, all service representatives attend a department meeting conducted by supervisors to discuss current issues, ensuring all representatives are up to speed on the latest developments and issues. Urgent issues are communicated to the teams immediately via electronic mail or distributed notification.

More importantly, JPMorgan Chase customer service representatives are dedicated to the commercial card product only, and all training is focused exclusively on the commercial card.

- f. The Contractor will provide a back-up system, if the 24-hour helpline is down.

Contractor Response:

JPMorgan Chase has never experienced significant problems or downtime with regard to our cardholder support line. However, we do offer our VRU system as a convenient, secondary alternative to our primary cardholder support group. Our VRU allows the cardholder to:

- Obtain current balance, available credit.
- Inquire on the overnight address and/or general mailing address
- Review historical transactions
- Activate the card
- Establish or change the PIN number

Note that VRU services are available in English, Spanish, and French. In addition to the languages spoken in our call center, we employ a Language Line to aid in assisting non-English speaking cardholders.



- g. Contractor shall measure performance as a purchasing card issuer and gauge customer satisfaction. Contractor shall describe the specific indicators used and how the data is gathered.

Contractor Response:

JPMorgan Chase has a comprehensive quality improvement program that monitors both the speed and accuracy of the service we render. We track performance through a number of quantitative measures. In each service category, we have defined benchmark industry standards. It is our expectation to meet or exceed these standards, and any exceptions are treated as problems requiring resolution. Additionally, several measures also have a defined target, representing a standard beyond the benchmarks that we monitor and strive to meet.

We track the following standards on a daily basis:

Average speed of answer—Goal: 10 seconds or less

Abandonment rate—Goal: 1.0%

Average talk time—Goal: less than two minutes

Occupancy rate—Goal: 88%

Service level—Goal: 88% of calls answered in 20 seconds or less

It is important to note that these measures should be considered standards, not guarantees of service. We track our performance against these standards formally on a weekly/monthly basis and report our performance on many of these categories to senior management on an ongoing basis

- h. Contractor shall provide program level management and assistance.

Contractor Response:

As previously described in our response to *question 4(b)* of this section, program management and support will consist of a dedicated relationship manager and a program coordinator.

To review, your relationship manager, Dan Trbovic, will work with members of your senior management to develop a relationship between our organizations and to assist you with the overall use and growth of your program.

Furthermore, he will serve as the State's key point person for issue resolution. Through excellent service, best-practice sharing, and regular assessments, Dan will help you to grow your program and will coordinate all JPMorgan Chase resources necessary to accomplish any enhancement tasks.

Your program coordinator will handle day-to-day operational issues such as vendor tables, MCC groups, company hierarchy, and any other operational requests that your administrators may have. Your program coordinator will always be on hand during business hours. Available Monday through Friday between 7 a.m. to 6 p.m. (CST) for program coordinators in Illinois, or 6 a.m. to 6 p.m. (MST) for program coordinators in Utah, your program coordinator will be fully trained on our card products, has an extensive background in customer service, and will be empowered to make sure your program requirements are met.

- i. Contractor shall provide a process for resolving customer service issues.

Contractor Response:

When your program administrators require issue resolution, they can contact either your relationship manager or your program coordinator. Each has access to a wealth of resources within the JPMorgan Chase commercial card organization and will use the necessary tools to satisfy any issues your program administrators may be experiencing. Should a problem arise, we will research the obstacle and respond to you within 48 hours.

Cardholders have the support and assistance of our customer service team for resolving issues. Our associates are empowered to make decisions and act on behalf of the cardholder, ensuring prompt action and strive toward one-call resolution. The majority of our calls are handled with the initial phone conversation.

Supervisors and team leaders are available for escalation if necessary. It is important to note that our policy to empower our employees means that your cardholders will rarely require escalation services.



- j. If available, Contractor will offer a method for clients to network to share best practices.

Contractor Response:

Yes. We offer client conferences on a yearly basis to allow clients to meet one another to share ideas, while giving us a chance to discuss industry trends and best practices.

One of the most popular features of the JPMorgan Chase client conferences is the roundtable sessions. In these sessions, tables are assigned one of 12 discussion items. Clients select a table, and provide the content for the discussion. After a designated time period, clients select a new table with a different discussion topic. After the conference, JPMorgan Chase provides the notes from all tables to all attendees. Comments about service, product ideas, or improvements are forwarded to the appropriate department within JPMorgan Chase for consideration.

In addition to our annual conferences, we offer regional conferences, which include a full-day session of product information for commercial card customers and prospects.

5. E-commerce

The State is pursuing electronic fund payments and an e-procurement system.

- a. The Contractor shall detail any partnerships with e-commerce solution providers.

Contractor Response:

ExacTrac

Key to our eCommerce strategy is creating a seamless solution for payment within your ordering or invoicing systems using secure web-based portals or web services. With this approach we help you leverage the investment in your system by ensuring that system is the single management tool for your orders or invoices, including payment management. The JPMorgan Chase ExacTrac account is an example of this approach.

The ExacTrac account is a specialized commercial card offering that is not a traditional plastic credit card, but rather a 16-digit credit card number used to settle eCommerce transactions. A card number is generated and assigned to only one purchase document (purchase order, invoice, travel reservation, etc.) at any given time, allowing the account number to be the unique key in the automated matching of merchant transactions to your purchase document. As merchants create transactions to settle the purchase document, the ExacTrac account system uses the ExacTrac account number to match those transactions to your purchase data and then allows the matched data to be viewed and/or exported for reconciliation. This provides precise transaction-based controls on an individual card that is used for only one transaction. Also, because this solution is directly tied to your procurement and/or accounts payable solutions, ExacTrac can provide level III detail with every transaction.

Another unique feature of the ExacTrac account is the account manager. This feature monitors the number of accounts in use and makes sure there are always enough accounts in reserve to satisfy the purchase needs of your organization. Working in conjunction with the ExacTrac account matching routine, the account manager allows account numbers that have been matched and reconciled, to be used for subsequent orders based upon criteria you specify for re-use. In this way, we not only manage the accounts for you but we also optimize the number of accounts used in your program.

Order-to-Pay

The JPMorgan Chase Order-to-Pay solution can be used to complement your purchasing card process and help automate all of your non-purchasing card spend. With Order-to-Pay you can electronically handle purchase order delivery, non-purchasing card invoice receipt, invoice approval/routing, and non-purchasing card payment via the Automated Clearing House (ACH) system. By streamlining these core financial supply-chain processes, this service can reduce the State's accounts payable transaction costs by more than 50 percent and extend/capture early payment discounts across virtually all remaining corporate spend. Combined, JPMorgan Chase can deliver, on average, over \$3 million in savings over three years for every \$1 billion of the State discountable spend (e.g., excludes government payments, taxes, utilities, commissions, etc., that are not discountable).



The JPMorgan Chase Order-to-Pay solution provides the State with valuable professional services as well as an outsourced software model. These services include supplier targeting and enrollment, master vendor directory management, and supplier data mapping—all critical to the 80-90 percent adoption rate that we experience. This is a unique and critical aspect of our delivery model, as our best-practices approach to supplier adoption ensures you accelerated adoption and therefore accelerated return on investment.

- b. The Contractor shall describe how they will best support any potential e-commerce initiatives.

Contractor Response:

JPMorgan Chase is committed to maintaining leadership in the market by offering state-of-the-art internet-based reporting and eCommerce applications. We offered the first web-based reporting solution in the industry in 1997 and continue to evolve our position to satisfy the changing needs of the eCommerce space. Our strategy is to offer our clients, "buyers," the necessary tools to help automate the procure-to-pay process.

Of particular interest to many of our clients are the innovative **ExacTrac** and **Order-to-Pay** solutions, both of which provide accounts payable process automation, settlement for eProcurement transactions, information reporting, working capital management, and eCommerce applications.

As previously described, ExacTrac is an integrated module of PaymentNet that is used to settle eProcurement and eCommerce transactions. A card number is generated and used as a unique key in the matching/reconciliation routine of transactions to orders. As merchants create transactions to settle the order, the ExacTrac account system uses this account number to match those transactions to the order data and displays the matched data for reconciliation.

Order-to-Pay, which is in the payables product family, is designed to reduce costs and improve control in the buying and accounts payables activities of our corporate customers. Order-to-Pay enables customers to eradicate paper, eliminate exception items, migrate from check to ACH when a purchasing card would not apply, and dramatically expand the potential for prompt payment discounts.

- c. The Contractor shall describe the ability of your procurement card product to interface with e-procurement systems.

Contractor Response:

On behalf of our clients we have formed working partnerships with all of the major ERP and financial systems suppliers.

We also work intimately with procurement services like Ariba and Commerce One among many e-Commerce providers, and we have developed working partnerships with many of the expense management providers including Captura/Concur Technologies, Extensity, Gelco, and Necho. These partnerships ensure that your organization and JPMorgan Chase will integrate quickly and easily.

Note that we have extensive experience with nearly all file types and accounting systems and can provide a mapper program that can interface to any accounting system.

6. Fees

Fees must not be charged to the State solely for the purpose of establishing an account regardless of the purchasing activity on that account.

Contractor Response:

See Article 1, Attachment A, for pricing information.

7. Implementation

The Contractor must be able to transition the existing program to a similar program by June 1, 2007 including interfacing transactions into the State's accounting system. Purchases utilizing this system will begin on this date.



- a. The Contractor provide a recommended implementation and transition plan starting from the awarding of the contract that details key elements, support resources, card issuance, administrator access training, hierarchy creation, interface file creation and testing, chart of tasks, timelines, and proposed completion dates.

Contractor Response:

As the State is a current, valued client of JPMorgan Chase, a complex implementation and the associated costs are not necessary. However, we would be pleased to reevaluate any issues or concerns you may have that would require a re-implementation of any part of your program, especially as we move forward with PaymentNet enhancements. As additional tasks will be necessary to implement the newest functionalities, we intend to provide the State with all of the resources necessary to ensure a smooth product upgrade.

To further aid the State in the evaluation of our services, we have included a project plan that was developed jointly by the State and JPMorgan Chase. This project plan provides a full overview of our implementation procedures as agreed to by the State. The State is welcome to review this project plan in case any review of current procedures is required.

Furthermore, as an incumbent provider possessing in-depth knowledge of your program, we are confident that our experience and clearly defined project plans will provide a seamless transition that will save the State valuable time as well as monetary resources.

- b. Contractor will make available material for both cardholders and program administrators during program implementation.

Contractor Response:

We have developed a wide variety of resources to complement our formal training program and enhance your understanding of the recently enhanced PaymentNet system. Supplemental materials include:

Sample communications materials—We have prepared a variety of materials to help familiarize cardholders with our program.

PaymentNet "How to..." Help Guide—This guide, which provides step-by-step instructions on the most-used PaymentNet functions, is designed as a comprehensive tool to help program administrators make the most of the train-the-trainer sessions.

Product Placemats—One-page quick reference sheets, these documents can be laminated to ensure readability and easy access. Placemats contain tips, flowcharts, and highlighted steps of the most used processes.

Help files—We have prepared several help files to assist program administrators and cardholders with the technical aspects of PaymentNet.

The Learning Website—Online learning is made easy with this website, which contains six training modules focused on cardholder and administrator training. Program administrators can track each cardholder's training progress as well as access online forums to network with other administrators.

Product release notes—When we make enhancements to our products, we prepare product release notes to keep clients informed of the updates. These documents may be included on the PaymentNet home page for easy access to cardholders.

It should also be noted that, in addition to the materials described above, JPMorgan Chase's professional training team would be happy to provide training via Webex, as they did recently in September of this year.

8. Liability

The State shall only be liable for the use of credit cards by authorized users provided that the use is within the monthly, daily, and single purchase limits established for the specific account, and the use is processed through a merchant whose Standard Industry Classification Code (SIC Code) is approved for participation (per State of Michigan's cardholder initial application).



- a. The Contractor will offer liability protection options.

Contractor Response:

As an industry best practice, JPMorgan Chase offers a corporate liability option with our purchasing card program. Under corporate liability, the State is liable for all charges made to an individual cardholder's account and maintains sole responsibility for payment of all charges.

However, the State is protected from employee misuse through our liability waiver protection program. The program reimburses an organization for inappropriate expenditures by employees who leave the organization without resolving the balance on their commercial cards. This mainly occurs when an employee is terminated (voluntarily or involuntarily), and has either failed to pay for personal charges, or been reimbursed for business charges but failed to pay the issuer.

Features of the corporate liability waiver program include:

- Charges that do not benefit you directly (i.e., non-business charges)—**covered**
- Charges incurred 75 days prior to or 14 days subsequent to termination—**covered**
- Up to \$100,000 per account—**covered**
- Up to \$1,000 cash advance protection—**covered**

In addition, we have found that effective internal policies combined with senior management support can help sell the importance of responsibility when using the JPMorgan Chase Commercial Card. Credit limits and controls, established with the help of PaymentNet, will also aid in limiting the State's liability.

- b. The Contractor shall maintain policies on liability for unauthorized purchases.

Contractor Response:

Liability for corporate or centrally billed commercial card charges resides with the organization, not the cardholder. In general, liability includes the amount of all transactions made using authorized cards. Note that unauthorized purchases can be prevented by establishing effective card controls. For example, a card set up for wholesale type purchases only will not be useable at the type of merchant where fraud is likely to occur (e.g., jewelers or furriers).

Also note that in cases where a card is lost or stolen, the State is liable only for charges made prior to the time JPMorgan Chase is notified.

- c. The Contractor shall describe their fraud protection system.

Contractor Response:

To assist your organization in identifying and minimizing fraud, we use our own **neural network** in addition to MasterCard's **RiskFinder**. These fraud detection tools identify potential patterns, protect your organization, and minimize your liability. As a result, JPMorgan Chase's fraud losses are well below the industry average, allowing us to pass those savings and results to our clients.

Fraud Investigation Process

When an unusual or high-risk transaction is detected, an alert message is sent directly to JPMorgan Chase so we can further analyze the account. If suspect activity is identified, a fraud investigator will contact your cardholder to verify the validity of the transaction. We also use fraud "queues" to monitor high-risk transactions such as cash, foreign usage, electronics, and jewelry. Each time a transaction populates a queue, a trained representative evaluates the history and current activity. If fraud is suspected, we contact the cardholder to verify usage and card presence. Depending on the circumstances, the account may be monitored or changed to a "referral" status for authorizations. We will also contact your program administrator directly if we suspect employee misuse.

Protecting Your Organization

The State does not have to solely rely on JPMorgan Chase to minimize fraud. We offer a number of standard smart reports to assist you. Among these are a **Decline Report**, which provides a list of transactions, by cardholder, declined at the point of sale; an **Unusual Activity Report**, which identifies transactions normally considered to be outside the realm of normal business activity; a **Cash Advance Report**, which monitors cash advance activity; and a **Disputed Transaction Report**, which monitors disputed transactions.



To further proactively protect your organization against fraud, we recommend instructing your cardholders in the following ways:

Protect your cards—Endorse all cards immediately and check them regularly to ensure none are missing.

Guard your account number—Do not give card numbers over the telephone unless you are dealing with a reputable company, look for the “SSL” lock logo when making purchases on websites, and never keep your PIN in the same location as your card.

Know your rights—Merchants cannot ask for further identification, such as drivers license, when paying with a card and cannot require an account number and expiration date for identification when paying by check.

Safety tips when using your card—Check all statements for accuracy and report all lost or stolen cards immediately to both JPMorgan Chase and your program administrator.

9. Promotional Materials

The selling of the mail lists containing the names of cardholders is absolutely prohibited. Promotional materials may only be permitted with pre-approval of the Contract Administrator. Bidders must state their agreement with this requirement.

Contractor Response:

Agreed. Respecting and protecting individual privacy has always been vital to our business. JPMorgan Chase adheres to a strict privacy policy. We share client information among our affiliates and the Chase family of companies, but only in circumstances where such sharing conforms to law and will help us offer enhanced financial products and services.

With regard to internal marketing, distribution of all program-related promotional materials is conducted at the sole discretion of the State’s administrators, who can choose which employees receive selected materials.

10. Master File

The cardholder master file must contain as a minimum the following information:

- Cardholder name
- Secondary name
- Account address
- Phone number
- Account number
- Alpha/numeric accounting codes
- Per transaction limit
- Daily spending limit
- Daily transaction limit
- Monthly transaction limit
- Monthly spending limit
- Approved SIC or merchant codes
- Expiration date
- Status

The Contractor also describe other fields available in the system.

Contractor Response:

As the State’s current provider, we can continue to accommodate this request. To review, JPMorgan Chase can accommodate unlimited alphanumeric character fields, which can be loaded into PaymentNet to contain your general ledger accounts, cost centers, and any other field required by the State (including those specified above).

11. Payment

The Contractor must accept payment through the use of electronic funds transfer (EFT) from the State. Payments may be made directly to the Vendor, or to the bank account established by the Vendor to receive payments from the State. The responsibility to make payments will rest with the State, and not the individual employee/cardholder.

**Contractor Response:**

JPMorgan Chase can continue to accommodate payment via EFT. Under the central bill/central pay model, the State, not the individual, is responsible for remitting payment. Furthermore, there are no hardware or software requirements as the EFT is originated either from the State's relationship bank or through our proprietary software platform, PaymentNet. Additionally, the only costs incurred by the customer for utilizing this payment method are those associated with the origination of the payment (e.g. there is no cost for originating a PaymentNet ESP payment unless the State's bank that originates the payment applies or passes a cost to their customers).

Additionally, there are a number of electronic payment options available and currently in use by our customers. The methods of remittance include online through PaymentNet (online ACH), JPMorgan Chase ACH, and wire. Again, we can accommodate whatever payment method is best suited to the needs of the State.

12. Reports

Reports must be available in a variety of formats (i.e., hard copy, magnetic formats such as tape or disk, or by electronic data interchange). Bidder must have the ability to provide to the State or agencies upon request a copy of any individual transaction receipt.

- a. The Contractor must provide a comprehensive description of standard reports including content, flexibility, frequency, etc.

Contractor Response:

Through PaymentNet, the State can generate **more than 70 standard reports**, turning transaction data into valuable information for merchant negotiations, as well as giving you the detail necessary to determine if there is an opportunity to trim your merchant list or create national merchants. More importantly, with recent PaymentNet enhancements, the State will be able to operate a single database for all State Agencies and easily access consolidated, roll-up reporting. Reports are generated online 365 days a year, and are available for reviewing, printing, or downloading instantly, or they can be scheduled to run on a frequency determined by the State's users. Reports, available at no extra charge, fall under the categories of audit, accounts, order, employee, transaction, merchant, and administration. All reports are available over the internet can be viewed online and downloaded in Adobe PDF, text, XML, or Microsoft Excel. There is also a query functionality that customizes reports based on criteria particular to the requested report, so you can view as much or as specific information as needed.

PaymentNet offers a variety of merchant, employee, transaction, and administration reports that will provide the information you need to control policy adherence, monitor costs, and conduct virtually all other situation analyses.

Note that PaymentNet lets you assign access to reporting information by unlimited levels of employee-defined access. These levels are defined at implementation, but can later be changed (modified, deleted, added). This flexibility allows the State to have a more access levels and more defined access levels. As an example, employees have access to employee-specific reports only, and can only report on their own transaction information. Managers would have access to their own information as well as to the information for their direct reports. Finally, administrators would be able to run the full range of reports.

- b. The Contractor must have the ability to provide customized reports. Include delivery timeframes and fees.

Contractor Response:

Custom report requests (for reports which cannot be created within PaymentNet) are initiated through your relationship manager, Dan Trbovic. Turn-around times and costs involved are dependent on the level of customization required. Our IT department has a system (MapTrack) for tracking the status of custom report requests.



- c. The Contractor shall have the capability to capture data from a purchasing card transaction. List the data elements.

Contractor Response:

By using a JPMorgan Chase card, the State will receive detailed enhanced data through PaymentNet, a web-based environment. The exact level of data captured at the point-of-sale (POS) is dependent upon POS terminal set-up. Through our association with MasterCard, we continually work with merchants to increase the level of data transmitted in transactions.

Currently, all domestic locations are level 1 capable, and over 4.3 million merchants can send level II or III information.

The chart below details the differences in data captured at each level:

Level I is a standard credit card purchase transaction, including:	
Supplier name	Date
Total purchase amount	Merchant Category Code
Level II adds additional information about each purchase, including:	
Sales tax amount	Customer code
Hotel folio	Car rental days
Number of hotel room nights	Up to four legs of travel
Car rental agreement	
Level III adds full line-item detail to the data in Level II, including:	
Quantities	Product codes
Product descriptions	Ship to zip
Freight amount	Duty amount
Merchant descriptors are sent with all card transactions, including:	
Supplier's address	Sole proprietor's name
Supplier zip code	1099 indicator
Supplier's phone number	MWOB data
DUNS number	Small business status
Supplier TIN	

Note that PaymentNet receives and displays all levels of transaction detail. By modifying both employee profiles and merchant profiles, your organization's need for accounting code information on transactions will be fulfilled.

- d. The Contractor shall provide measures to increase the integrity of point of sale data throughout the supplier base, including line item detail and 1099 reporting solutions.

Contractor Response:

Data Integrity
 All merchant acquirers and processors licensed with MasterCard are required to maintain minimum quality levels. MasterCard audits this performance regularly. At no time is the data captured at the point of sale manipulated by hand; there are additional controls in place to ensure that data quality is maintained throughout the data cycle. MasterCard also "cleans" data to ensure that obvious errors are corrected. JPMorgan Chase and EDS, our data processor, have mutual data quality assurances in place.

Data Expansion
 In order to increase the level and quality of data captured by our merchant base, we partner with **Chase Paymentech Solutions**—the largest merchant acquirer in the nation. Chase Paymentech Solutions can help to either recruit new businesses or encourage organizations to pass higher levels of data. It typically takes between five to seven days to setup new merchants.



Merchant Incentives

Chase Paymentech Solutions will provide merchants with financial benefits for signing up with a MasterCard program, such as increased revenue and preferred supplier status. Discount rates could be as low as 1.50 percent, depending on the merchant type and processing specifications. Additionally, as JPMorgan Chase works with the nation's largest merchant acquiring bank, Chase Paymentech Solutions is typically able to offer merchants a much more aggressive fee structure.

Merchant discount rates are evaluated and calculated based on a number of factors including merchant business type, total credit card volume to be processed through the acquiring bank, average transaction size, the timing and method of settlement, and the type or level of data being passed. To assist the supplier/merchant community in providing enhanced transaction data, MasterCard rewards those merchants who provide level II and level III information.

While financial incentives can make a difference, our experience has shown that a simple message from you, the client, can significantly motivate suppliers to provide the data you need.

For those suppliers already accepting credit cards as a form of payment, the merchant fees would already be set based on the contract established with the supplier's merchant acquiring bank.

1099 Reporting

At JPMorgan Chase, we are committed to providing you with the necessary reporting data through the above-referenced vendor expansion efforts.

Additionally, our PaymentNet system helps facilitate 1099 reporting through enhanced data capture capabilities. When merchants install and sets up their point-of-sale terminals, there are several indicators that can be set and subsequently passed with transactions. If these indicators, including 1099 information, are properly marked, they will transfer to PaymentNet for reporting and query purposes. PaymentNet also allows you to manually mark a vendor as a 1099 merchant. Once a vendor is marked, all transactions made at the vendor will be automatically identified as 1099 for reporting and general ledger downloading.

MasterCard Merchant Tables

Each month, the merchant tables in PaymentNet automatically update with the best available merchant information, using information from MasterCard. In addition, program administrators can choose to have all merchant fields updated (replacing all fields with the current information) or to have only new merchant information added (only updating empty fields). Current statistics including more than 5 million incorporation status codes with 6,000 new merchants added to the database every month and an average of 2,500 data field updates.

The JPMorgan Chase 1099 Database

JPMorgan Chase also refreshes our own repository of 1099 merchants on a monthly basis, which includes over 200,000 suppliers. Every transaction made at one of those suppliers is matched against the merchant database, and the merchant profile in the PaymentNet database for the State is populated with the 1099 information. This process occurs daily when your data is updated into PaymentNet. Every time a new merchant is used, the new merchant data is available and populated, and your changes will be retained and not overwritten.

- e. The system shall have the capability for the State to perform ad hoc queries on their database.

Contractor Response:

Ad hoc reporting is available within PaymentNet for all employees that have been given access by their program administrator to run reports. The scope for the reports is limited by the employee's level of assigned access. For example: one employee may be able to view only his or her own transactions, while another employee may have manager access and be able to view, report, and query his or her own transactions plus the transactions of all other employees located in the same hierarchy level. All reports and queries specific to an employee are available only for that employee, unless otherwise specified by your program administrator.

Reports can be viewed online and downloaded in Adobe PDF (which helps if the report needs to be presentation ready), text, XML, or Microsoft Excel (for further data manipulation).

Querying on specific data is easy, fast, and accurate. All users can refer to PaymentNet's query drop-down boxes for searchable fields, add specific criteria, and customize the look of their reports. Queries can be run in the following categories:



Transaction List
 Employee List
 Merchant List
 MCC List
 Account List
 Order List

During implementation, the State's program administrator will be fully trained in how to customize reports and run queries.

13. Database Technology

The Contractor must be able to provide a web-based Internet customer accessible system, maintain this system with flexible capabilities and/or upgrades.

- a. Reporting software that can support customizing needs of participating entities.

Contractor Response:

In order to fulfill this requirement, we offer the State continued use of our time-tested commercial payment management system, PaymentNet.

Based on our extensive experience with decentralized public sector programs, we have found that PaymentNet can easily accommodate customization among participating entities. Specifically, the State can create a hierarchy that supports multiple divisions with different accounting structures. Each division can design and manage an accounting structure, including invoices, separate and independent from other areas of your organization. Each division can also have an unlimited number of account codes and structures within its own hierarchy, if needed. And while PaymentNet allows each division to be maintained separately, consolidated reporting is still available for your entire organization.

Further note that JPMorgan Chase welcomes the opportunity to offer commercial card services to other State entities provided all such entities meet all JPMorgan Chase criteria and credit policies. It should also be noted that JPMorgan Chase retains the right to assign credit approval at our discretion.

PaymentNet Overview

Designed, developed, and supported completely in-house by industry experts, PaymentNet was created specifically to support all JPMorgan Chase Commercial Card products. Internet accessibility enables program administrators and cardholders to view information from a web browser. PaymentNet features over 70 comprehensive reports as well as an ad-hoc query option. In addition, our software provides data formatted to interface with client accounting, general ledger, or expense reporting systems.

The Value of PaymentNet

Our software includes the following value-add features:

- Transaction management
- Account management
- Employee management
- Spend analysis (reporting)
- General ledger mapping
- Electronic statements and payment
- Card request manager

Additional features include:

- Custom fields for transactions, accounts, employees, merchants, and MCCs
- Standardized navigation throughout the application
- Decentralized administration (multiple program administrators throughout hierarchy)
- Unlimited charts of accounts (each with unlimited segments)
- Unlimited splits (each split can include description and quantity)

Additionally, unlike other management software programs, PaymentNet offers a consolidated single platform for all card needs creating a uniform and consistent experience for our clients. Our market-leading software is also housed completely over the Internet, so software updates and enhancements are completed behind-the-scenes without any downloading or other involvement from the State.



PaymentNet protects the State's data through industry-proven SSL encryption technology, ensuring that your data cannot be accessed during transit. Our software provides a password protected login process, and security access levels assure that only authorized people have access to appropriate data.

Overall, our software is the best in the industry because PaymentNet uses the innate advantages of the web with scalable architecture designed to accommodate unlimited logins and provide a consistent experience. PaymentNet users can query selected transactions from thousands of records—and expect a response time faster than many websites that only produce static data.

- b. Software upgrades.

Contractor Response:

As PaymentNet is completely developed and maintained in-house, we have full control over our software upgrades. As a result, our technology enhancements are strategically focused on improving functionality and the client-user experience.

Our typical enhancement prioritization process is as follows:

Step 1: After we discover new needs within the industry and receive requests from our clients, we review all potential enhancements. Our product management team leads the prioritization process with an in-depth understanding of customer needs and a broad industry focus.

Step 2: After in-depth analysis of every potential enhancement, recommendations are made to our senior management team for final prioritization. This process allows individual customers to have input into the direction of future JPMorgan Chase systems and product development, while we ensure a consistent, reliable product experience for all clients.

Where a client's enhancement request is specific only to that client and does not provide benefit to our broader client base, we have also accommodated customized enhancements for our clients.

- a. Contractor/State of Michigan Interaction: Contractor must provide a plan for the integration of the purchase card program with State of Michigan accounting system including the data elements transmitted between systems. A detail list of all functions and access available to the State of Michigan's Procurement Card Administrator must be included in the plan.

Contractor Response:

- ◆ An **internet browser** that supports Secure Socket Layers (MS Internet Explorer 5 or greater, or Netscape 7.0 or greater)
- ◆ 800x600 or greater **screen resolution**
- ◆ **Adobe Acrobat Reader** for viewing reports (free program available at www.adobe.com) (this is recommended but not required)
- ◆ **WinZip** or a compatible compression software, allowing you to open and view account mapper download files (this is recommended but not required)
- ◆ **Microsoft Word 95 or Excel 95** or conversion software that will work with MS Office software like Open Office (Linux), for editing and analyzing data (this is recommended but not required)

Necessary Equipment:

Our PaymentNet software is completely web-based, with data automatically downloaded daily into our system. To fully use PaymentNet requires:

An **internet browser** that supports Secure Socket Layers (MS Internet Explorer 5 or greater, or Netscape 7.0 or greater)

800x600 or greater **screen resolution**

Adobe Acrobat Reader for viewing reports (free program available at www.adobe.com) (this is recommended but not required)

WinZip or a compatible compression software, allowing you to open and view account mapper download files (this is recommended but not required)

Microsoft Word 95 or Excel 95 or conversion software that will work with MS Office software like Open Office (Linux), for editing and analyzing data (this is recommended but not required)



Internet access (through your organization's firewalls)
JavaScript enabled
Cookies are required when using PaymentNet

Integration Plan

Please refer to our response to *segment c* (below) for a full description of our integration plan and process.

Administrative Functions

PaymentNet offers an administration function that allows your program administrator to manage all user tasks and apply changes throughout all areas of PaymentNet. The following specialized features are a few examples of tools available to program administrators:

Employee Search—Find users quickly and easily with PaymentNet's query feature. **Employee Management**—Set up new users, pass phrases, and hierarchy levels, and link all accounts to that user.

Account Search—Find an account quickly and easily with PaymentNet's query feature.

Account Management—Create, update, and delete accounts and account attributes such as credit limits and number of daily transaction limits.

Account Linking—Link the account to the user directly or search for the account(s) and link the account to the user when new users or accounts are created.

Hierarchy Management—Manage hierarchy structure, assign and move accounts, create a reporting hierarchy, manage reporting hierarchy.

Employee Greeting—Customize a greeting that will display on the PaymentNet Welcome Screen for organizations, departments, and users.

Pass Phrase Restrictions—Configure pass phrase requirements. Restrictions can be specified or completely bypassed, according to your needs. Available restrictions include: minimum password length, numbers required, special characters required, pass phrase expiration period (in days, weeks or months), and maximum login failures.

- b. Upgrades/Advanced Technology: The Contractor agrees to make future upgrades in its systems and processes to reflect advancements in technology, hardware, and software at no cost to the State of Michigan and no reduction in revenue sharing. All such upgrades must be announced in advance of any change and agreed to by the State.

Contractor Response:

JPMorgan Chase is dedicated to being client-focused and on the cutting edge of commercial card reporting technology. We offer several forums for submitting software upgrade requests—through your relationship manager, through our client partnership conference calls, and at our client conferences. Program updates are made simultaneously to all of our clients. Approximately 30 days prior to any updates, your organization will receive communication on the PaymentNet website regarding upcoming enhancements, and a testing version of your PaymentNet site to view and test all changes. Also, because PaymentNet is internet-based, there is no need to deal with time-consuming software. All upgrades are made on our server so all of the State's users receive the upgrade simultaneously.

- c. Financial System Integrations: Contractor must describe the method/s of transaction transmission. Detail the general ledger capabilities, accounting code structure and length (State of Michigan's accounting structure 15 fields and 73 characters), system capability to separate transactions into multiple account coding structures, and account code modifications to a transactions or account holder. (See Field table 'Detail Transaction Record' for additional information)



Contractor Response:

A significant benefit of extending your service with JPMorgan Chase is continued use of the mapping system that was designed specifically for the State. Given the complexity of the State’s interface files, use of these existing mappers could save the State a potentially lengthy integration resulting from the implementation of a new provider.

Mapping Process

To review, PaymentNet will download transaction data (including accounting allocations) in a format that can be loaded directly to your general ledger or accounts payable system, using an export program. During implementation, our technical specialists would work with you to define the specifications of the file, including fixed length or variable length records, record layout, and value and date formatting. You can specify different record types, record ordering, and record sorting based on the requirements of your accounting system, thus ensuring a correct transaction interface.

Note that we currently run the State’s mappers every two weeks. However, you can download your accounting export file online at any time. If you select a date range of transactions to download, PaymentNet will process all transactions within that range through a file transfer process (mapper). The download range can directly match your organization’s accounting cycle for added convenience.

PaymentNet comes equipped with a flex mapper program that can satisfy most interfacing needs. The flex mapper, provided at no additional cost, can generate fixed-length, XML or delimited files. The flex mapper allows the State to define the fields to include in the output file. JPMorgan Chase can also create a file on a regular basis to transmit information directly to your general ledger, requiring no action from the State.

Should you require additional customization, our technology department can develop and deploy a custom mapper during implementation.

With extensive experience with nearly all file types and accounting systems, we can provide a mapper program that can interface to any accounting system.

- d. Method of Transactional Transmission: Contractor is responsible for writing an automated interface program to support the upload of procurement card transactions into the State of Michigan MAIN FACS accounting system. The Contractor will provide a detailed plan of the process to create an interface file and to secure transactions that have already been processed in an interface. The interface file must be in ASCII text format. The interface file format requirements are fixed and are non-negotiable. File layout is as follows:

Fields:

Batch Header Record

<u>Description</u>	<u>Field Length</u>
Batch Agency	3
Batch Date	8
Batch Type	1
Batch Number	3
Batch Sequence Number	5
Batch Operator ID	8
Batch Operator Name	20
Batch Operator Class	2
Batch Terminal Identification	4
Effective Date	8
Disbursement Method Indicator	1
Payment Distribution Type	2
Fast Entry	1
Batch Document Hold Flag	1



Batch Count Entered	1
Batch Status	1
Batch Header Count Switch	1
Batch Last Sequence Number Used	5
Batch System Date	5
Batch Master File Indicator Switch	1
Filler	7
Entered Batch Count Numeric	5
Entered Batch Amount Numeric	13
Filler	5
Computed Batch Count Numeric	5
Computed Batch Amount Numeric	13
Approval Required to Post Indicator	1
All Documents Approved	1
Filler	619
Totals	750

Detail Transaction Record

<u>Description</u>	<u>Field Length</u>	<u>Accounting Codes</u>
Batch Agency	3	
Batch Date	8	
Batch Type	1	
Batch Number	3	
Batch Sequence Number	5	
Operator ID	8	
Terminal Identification	4	
Effective Date	8	
Appropriation Year	2	
Disbursement Method Indicator	1	
Capitalize Indicator	1	
Transaction Code	3	
Modifier	1	
Reverse Indicator	1	
Agency	3	3
Recurring Transaction Index	6	
Index	5	5
Appropriation Number	5	
Fund	4	
Program Cost Account	5	5
Comptroller Object	4	4
Agency Object	4	4
Project Number	6	6
Project Phase	2	2
Grant Number	6	6
Grant Phase	2	2
Sub Grantee	14	
Agency Code 1	4	4
Agency Code 2	4	4
Agency Code 3	6	6



Agency General Ledger Account or Subsidiary	8	8
Multipurpose Code	10	10
General Ledger Account	4	
Vendor Number	10	
Vendor Suffix	3	
1099 Indicator	1	
Invoice Number	14	
Invoice Date	8	
Document Date	8	
Current Document Number	8	
Current Document Suffix	3	
Reference Document Number	8	
Reference Document Suffix	3	
Due Date	8	
Service Date	8	
Warrant Number	9	
Payment Distribution Type	2	
Property Number	10	
Debt/Investment Issue Number	9	
Fund Control Override Flag	1	
Contract Number	10	
Transaction Amount	13	
Discount Amount	13	
Description	30	
Cash Receipt Payment Type	1	
Bank Number	13	
Discount Date	8	
Discount Terms	2	
Penalty Date	8	
Penalty Terms	2	
Interest Terms	5	
Penalty Amount	13	
Vendor Name	50	
Address Line 1	50	
Address Line 2	50	
Address Line 3	50	
Address Line 4	50	
City	20	
State	2	
Zip Code	9	
Doc Agency	3	
Filler	13	
Carrier Code	2	
Country Code	3	
Bank ID	3	
Appropriation Year	4	4



Document Year (Fiscal Year)	4	
Filler	53	
Document Year (Fiscal Year)	2	
Totals	750	73

- e. Technical Support: The Contractor shall provide technical support related to program performance, data integrity, interface file processing, transaction approval or disputing, report creation or query functionality.

Contractor Response:

In the rare instance that technical support is needed, your relationship manager, Dan Trbovic, will be your first contact. He can assist you with program-specific software functionality questions, changes to programs including mappers and post loaders, issues with your programs, and custom report requests.

For more complicated issues, your relationship manager will rely on the expertise of our client technical support team. This team assists with standard software functionality questions, as well as technical issues and defects specific to software, mappers, post loaders, and reports. Technical support is rarely needed, as our products are exceptionally user-friendly, and downtime is infrequent. Additionally, escalation is available for those rare situations that cannot be resolved immediately.

The technical support team ensures that all clients receive timely and appropriate resolution to their technical issues and inquiries, and that JPMorgan Chase receives consistent and timely communication on technical issues to allow us to be proactive with customer impact.

Available through a toll-free number, team members can be reached from 7 a.m. to 7 p.m. CST (with the exception of bank holidays). Requests are recorded through Ticket Tracker, and all calls are measured for accuracy and responsiveness through a third-party system (NICE).

- f. Archiving and Retrieval: Contractor must describe the proposed data archiving and retrieval capabilities. All data pertaining to the State of Michigan obtained by contractor or subcontractor is the sole property of the State of Michigan.

Contractor Response:

We generally keep data live on PaymentNet for 24 months (audit data is archived after 12 months). We further maintain up to seven years' information on CD, which can be retrieved by contacting your relationship manager.

With regard to data ownership, JPMorgan Chase complies with all banking regulations and as such is obligated to store historical data for up to seven years. The State will have free access to all of your transaction data at anytime through PaymentNet. You may choose to archive this data as a duplicate copy at your own site. The right of "ownership" is a debatable issue. We would be pleased to further discuss your organization's understanding of sole ownership.

- g. The Contractor shall maintain a Disaster Recovery process including anticipated time frames to restore normal operations once the disaster situation has been resolved. The plan shall include a recovery plan in the event of a major disaster that disables most or all of the contractor's processing capabilities for the State of Michigan. A major disaster includes, but is not limited to:
 - A hardware system failure/collapse;
 - A software system failure/collapse;
 - Any natural disaster;
 - Total loss of electrical/backup power.

Contractor Response:

As an integral part of JPMorgan Chase's normal business operations, every manager in the firm is responsible for developing and maintaining contingency plans as part of the corporate-wide business continuity program. By policy, minimum requirements have been established for each critical business unit to provide essential business and technology service levels. These standards are to be sufficient to provide customer satisfaction and market image, and to meet regulatory and contractual requirements in the event of disruption to the normal operating environment.



Business continuity plans must explicitly address the business, and operations components of a business unit, including those critical services and functions provided by third parties. The disaster recovery plan addresses the technology components. The firm's continuity testing program keeps the business contingency plans accurate, relevant, and operable under current conditions. The plans are tested at least annually to demonstrate their workability, and to verify the effectiveness of alternative locations.

JPMorgan Chase's business continuity and disaster recovery programs meet the comprehensive business resumption planning and testing requirements mandated by our regulators. In addition, the firm's Board of Directors annually reviews the status of the overall program.

Data Backup

We generally keep data live on PaymentNet for two years. Archived files are kept for up to seven years and burned onto a CD for the State's use in the future.

Backup Sites

JPMorgan Chase's client systems have experienced less than .02% downtime over the last 18 months. Data captured within PaymentNet is redundant and backed up in two physically separate locations in the Salt Lake City, Utah area. JPMorgan Chase has meticulously created a disaster backup and recovery plan to enable our company to reestablish or maintain business in the event of a natural disaster. If diesel fuel can be continuously supplied, our generator can run indefinitely. If, as a result of a disaster, fuel is unavailable, the combined resources of our generator and UPS system will allow us to operate between 54 and 78 hours.

Recovery

PaymentNet's core program and database are housed on secure, redundant servers at two separate sites to accommodate the need to switch servers in case of a disaster. The switch would take place within minutes of the decision to transfer processing from one data center to the other.

The business continuity committee is responsible for determining which functions, if any, can be resumed in the Salt Lake City, Utah offices, and to locate to a long-term alternative site if necessary.

Service

JPMorgan Chase understands the State's need for a stable program. There are contingency plans in place to provide immediate contact center support off-site. Other functions will be transported to an alternative site location in phases based on criticality. The recovery efforts also would be phased according to criticality and the need to provide the highest quality of seamless service possible.

By following the recovery plan described above, we are confident that in the event of a disaster, we can effectively service your account with minimal interruption.

- h. The system shall have capability to set spend limit on accounts that can be monitored.

Contractor Response:

Through PaymentNet, your program administrator can establish the following spend limits:

Cash Advance Limits: Daily Advance Amount, Monthly Advance Amount, Complete Restriction

Dollar Limits: Transaction Amount, Daily Spending Amount, Monthly Spending, Limits by MCC, Limits by Merchant ID

Transaction Volume Limits: Number of transactions per day, Number of transactions per month

Transaction Monitoring and Reporting

To help ensure user compliance, our PaymentNet software offers enhanced monitoring controls through an unlimited number of configurable custom fields, which can consist of checkboxes, custom drop down boxes, or text boxes. We can work with you to set up these checkboxes in such a way that your card administrator or an auditing team must approve all cardholder transactions. Should a transaction be made against your organization's policy, JPMorgan Chase will support any actions taken to remedy the situation, including card suspension.

Additionally, because our PaymentNet tool offers powerful splitting and reallocating capabilities, JPMorgan Chase offers a *Transaction Detail with Account Codes and Notes* report through PaymentNet to track how each transaction is being split among different cost centers. This will allow both the managers of your cardholders and your program administrator to ensure that a cardholder is not reassigning charges to incorrect accounting codes.



- i. The system should have the ability to assign chart of account code(s) to a transaction based upon the merchant name or Merchant Category Code assigned to that merchant.

Contractor Response:

Default accounting codes can be automatically attached to the transaction based on employee, hierarchy, merchant, account, customer code (point-of-sale code), or MCC (as requested by the State). The State can also manually allocate accounting codes by free-form input, or by selecting a code from a drop-down box. When a transaction needs to be reclassified, the employee will be able to alter any or all of the codes from drop down menus of the State's accounting codes pre-populated into PaymentNet. Based on where the user sits within your hierarchy, the accounting codes displayed within those menus will be appropriate for that user. For example, if a user is in a specific cost center, only that cost center's codes will be viewable. This control assures that cost centers will not be charged inappropriately.

- j. The system should have the ability to modify account coding assigned to a transaction or an account holder and to assign multiple funding sources to a single transaction.

Contractor Response:

Charges can be reclassified to different cost centers by assigning new accounting codes directly to transactions. Users can reclassify transactions an unlimited number of times between different accounting codes).

When users are reviewing information, each transaction will be shown with pre-populated or default accounting codes. With transaction splitting capability, you can create new and inventive ways to use the commercial card with the same accounting code specificity, leading to a better rebate and more process savings.

- k. The system should have the ability for an administrator to create organizational hierarchies, assign or move cardholders and all historical transaction data for that cardholder to a location within the hierarchy.

Contractor Response:

Creating Hierarchies

One of the key enhancements to PaymentNet is an unlimited flexible hierarchy that will allow the State to operate a single database for all State Agencies while providing global roll-up reporting. During your migration to the enhanced PaymentNet platform, JPMorgan Chase will create a PaymentNet hierarchy that matches the State's reporting hierarchy to allow for roll-up reporting. PaymentNet supports **unlimited** vertical hierarchy levels and **unlimited** horizontal hierarchy levels. When generating a report, you can narrow the data to be displayed using either criteria parameters or hierarchy parameters, so the data distributed can be specific to your audience (e.g., department managers).

Moving Users within Hierarchies

PaymentNet allows administrators to move employees and their accounts (if applicable) to any place in the hierarchy, quickly and easily. When employees move to another department or division within your organization, your administrator can change their location in the hierarchy. If a new department or division is created, your administrator can easily construct the department/division in the hierarchy and assign users to that location.

When users take on new or changed roles, your administrator can assign the new roles before or after the user has been moved in the hierarchy. Roles can remain the same, or can be changed by the program administrator.

- l. The system should have the ability of State of Michigan program administrator(s) to create, modify or close credit card accounts and a process for performing this activity, security requirements for an account, how and in what timeframe is the new plastic delivered to the State of Michigan.

Contractor Response:

Creating New Accounts

JPMorgan Chase offers several card application methods to facilitate enrollment in the purchasing card program. Once applications are received, cards are issued within three to five days either to a central location or directly to the individual as determined by your program administrator. Upon receipt, cardholders contact JPMorgan Chase's voice response unit (VRU) to activate the card. This ensures timely, accurate, and quality produced cards with a low rate of fraud.



Initial Enrollment

At the onset of your program, we work with your existing issuer to provide a direct file feed of all currently enrolled cardholders and automatically enroll them in our program. This eliminates the need for current cardholders to reapply for a card and maintains a seamless transition. The only information we require includes a cardholder name, address, phone number, cardholder department and cost center, and mother's maiden name (or other security information).

Ongoing Enrollment Options

On an ongoing basis, we offer the following options:

Card Request Manager—This feature provides a paperless, online application submission and approval program through PaymentNet.

Online—The online maintenance function of PaymentNet allows your program administrators to order cards online in a real-time environment.

Employee Application—A paper-based document is sent or faxed to us. We will assist you in developing an application inclusive of your cardholder responsibilities.

Modifying Accounts

Once applications have been approved and new cards issued, your program administrators can make account directly online through PaymentNet's account maintenance function. This feature allows your administrator to perform employee maintenance tasks with real-time impact.

Terminations, maintenance, and even credit limit changes are effective immediately, giving you greater control and instant results. Administrators can increase transaction credit limits, daily transaction limits, or monthly credit limits. They can also monitor authorizations and declines, and manage users as they exit the organization. The State can run an **Account Audit** to help you track all changes made to any account. The report includes user ID changes, allowing you to monitor both profile and employee-maintenance changes.

Closing Accounts

Cards can be cancelled by contacting cardholder support, or online through PaymentNet. PaymentNet offers three ways for program administrators to cancel or suspend an account:

Close account—no longer employed or card no longer needed

Suspend account—temporary

Lost/Stolen—card reported lost or stolen

Cards can also be suspended temporarily by changing the spending limit to \$1. This limit can be set to go back to the original amount on a date specified by your program administrator.

- m. The system should have ability to create or modify your system access by administrators, managers, reviewers, or cardholders.

Contractor Response:

Access Roles

Your organization can assign roles that designate a user's ability to view transactions and modify accounting codes. PaymentNet offers an unlimited number of levels of authorization to promote accountability with various levels of authorization. For example, the State can require all users to indicate if they have reviewed their transactions, and/or require all managers of users to approve the transactions of employees.

PaymentNet has six pre-defined roles of access:

Auditor—Users have read-only access to all transactions, employees, and reports.

Order Requester—Users can view and request orders and applicable reports.

Cardholder—Users can view their own transactions, profile, and reports specified by the program administrator. They can also make online payments.

Transaction Approver—Users have access to approve transactions.

Manager—Users view their department's transactions, employees, accounts and reports specified by the program administrator. They do not have access to all configuration functions, as determined by the program administrator.

Program Administrator—Users have universal access to all functions, including configuration features. They have access to view/modify all transactions, employees, accounts, and reports.



The access role is a three-part structure defined by role, hierarchy ID, and scope. The role assigned to each user defines their applicable functionality (e.g., create new accounts, approve transactions, etc.). The hierarchy ID identifies the location in the organization hierarchy the role is effective (e.g., division, department, line of business, etc.). The scope defines the breadth of data to which the role has access (e.g., everyone in the division, just people in the department, etc.). Each user can be given an unlimited number of user authorities.

Access Control

We have designed our PaymentNet system to ensure the highest levels of security available to protect client information. PaymentNet uses an ID naming convention consisting of a three-part key: organization ID, user ID, and password. The user's access in the system will depend upon this three-key combination and assigned user access.

PaymentNet also has a client-configurable invalid login lockout setting. Password entry is masked on all input forms. The required password strength (minimum characters/forced alpha numeric/password history) is also client configurable. Only the State-authorized employees, with an assigned user ID and password can access PaymentNet. As PaymentNet is accessed from the internet, and not through your intranet, your employees will be able to access PaymentNet from any web browser in the world.

Your program administrator can set passwords. Once created, passwords are stored as a one-way encrypted token, and the actual password cannot be retrieved. Security event logging/monitoring for authentication and authorization failures can be provided to clients on administrative reports.

As a user moves through the various levels in PaymentNet, his or her username and password follow at each step to ensure that the data and functionality accessed is valid for that particular user. With this approach we isolate the user from all other information he or she is not authorized to see, thus preserving data integrity. Given PaymentNet's secure method for login, we have never had an incident where an unauthorized user has accessed another client or user's data.

14. Training

The Contractor must assist the State in the development of a training program and to provide materials and assistance to inform the departments and individuals participating in the State's Procurement Card Program.

- a. The Contractor shall provide a training process for the department program administrators, which will include temporary on-site representation. Include details on training functionality that will be included in this process.

Contractor Response:

As the State has already implemented PaymentNet technology, training should be minimal. However, we do recommend supplemental training sessions to educate your users regarding PaymentNet's newest functionalities. To facilitate this training, we offer several different options including personalized sessions at your location(s), small group meetings at JPMorgan Chase, online forums, and many additional resources that can be tailored to the State.

Personalized Training Sessions

JPMorgan Chase offers interactive two-day training sessions that include program administrators, cardholders, and your systems support staff. Training is conducted at your location(s) and is completely customized to your organization, or can also be conducted in Salt Lake City, Utah; Chicago, Illinois; or New York City. We will consult with you to assess your specific program needs, analyze your cardholder base and their interaction with our products, and apply our best practices and develop a comprehensive, streamlined training curriculum.

Online Training

Online learning is made easy with this scalable web tool, which contains six training modules focused on cardholder and manager training. Each cardholder and manager can learn the basics of the program through Flash technology that emulates the live website experience. Your program administrator can track each cardholder's training progress as well as access online forums to network with other administrators.

In addition, we can offer periodic training sessions via Webex.



- b. The Contractor will provide program/system documentation for training purposes.

Contractor Response:

In addition to the resources described above, we offer a wide variety of training materials to complement and enhance our formal training including:

Sample Communications Materials

We have prepared a variety of materials to help familiarize cardholders with our program.

Help Files

We have prepared several help files to assist program administrators and cardholders with the technical aspects of PaymentNet.

Product Placards

These one-page quick reference placards can be laminated to ensure readability and easy access. Placards contain tips, flowcharts, and highlighted steps of the most used processes.

Quick Reference Guides

Printed and distributed to your cardholders, these 10-page guides can serve as a starting point when cardholders need basic information about our products and services.

Product Release Notes

When we make enhancements to our products, we prepare product release notes to keep clients informed of the updates. These documents are included on the PaymentNet home page for easy access to cardholders.

PaymentNet "How to..." Help Guide

This guide provides step-by-step instructions on the most-used PaymentNet functions, and is designed as a comprehensive tool to help program administrators make the most of their "train-the-trainer" sessions.

- c. The State will use a train the trainer program to roll the training out statewide. The Contractor will provide the functionality to train the initial group, what functionality is critical to program performance and how the Contractor would roll this out.

Contractor Response:

Our training department has instructed hundreds of clients on effective training techniques and PaymentNet use. We believe that effectively training your employees minimizes problems down the road. We provide an extensive employee training program, beginning with a train-the-trainer class.

To review, our training program incorporates the following key components:

Program Administrator Training—Our two-day training course will instruct your program administrator on all relevant facets of our PaymentNet software. The course is designed as a consultative experience, so your program administrators will receive hands-on training, best practices discussions, and a wealth of knowledge from our product trainers.

"Train-the-Trainer"—These portions of the administrative training sessions empower and educate your representatives on all relevant aspects of the commercial card program, geared toward developing an in house cardholder and manager training program.

Cardholder Training Preparation—In a separate discussion we will consult with the State on cardholder training needs. We provide several tools to increase the effectiveness of training, including web-based learning, printed quick reference guides, and instructor-led training to ensure cardholders are instructed in the needed topics. These methods are designed to ease the burden of training cardholders throughout your organization.

- d. The Contractor should have the ability to provide program training modules over the Internet that are developed by the company. These training modules must be tailored to the specifications of the State of Michigan program, policies and procedures.

Contractor Response:

Our Learning Website offers the following training resources:

Guest access—Introduces participants to JPMorgan Chase Commercial Cards and offers full video PaymentNet product tours as well as a complete list of our product offerings.



Online cardholder training—Cardholders can login and train on PaymentNet from their own Learning Center. Training can be conducted using either flash tutorials, for a more interactive experience, or HTML modules, for those who cannot access the flash tutorial technology.

PaymentNet Forum—A portion of the website where administrators can go to ask, and answer, each other's questions as well as ask JPMorgan Chase experts what they think.

B. Card Processes and Specifications:

1. Issuance

The State has established internal rules and procedures for issuance, security and operation matters related to the Procurement Card Program. The Contractor must assist the State with modification, enhancement and implementation of these rules upon request by the Contract Compliance Inspector. Departments will certify to the Contract Compliance Inspector prior to the issuance of cards that it has written procedures in place regarding authorized use of the cards.

- a. The Contractor shall provide a detailed process to open and maintain accounts, including timeframes for issuing new accounts, card replacements, reissues, and account maintenance.

Contractor Response:

New Accounts

As previously described in our response to *question 13 (I) of Program Specifications*, new account applications can be processed online through the Card Request Manager function of PaymentNet. Once applications are received, cards are issued within three to five days.

Card Replacements

Replacement cards (for cards that have been lost, stolen, damaged, etc.) can be requested online through PaymentNet or through your relationship manager. The standard delivery for replacement cards is within three to five business days.

For emergency rush requests, cards can be sent overnight to either the cardholder or the program administrators. The cardholder can contact JPMorgan Chase cardholder support services to assist in authorizing charges (e.g., hotel check-in) until a new card arrives.

Cardholders can also request an immediate charging number to use in place of a physical card. Additionally, when a program administrator applies for a new card using the online maintenance feature, a card number is provided instantly for use. Merchants can then call JPMorgan Chase directly to authorize all charges.

Reissues

The standard life of a card is two years. The card's expiration is based on the issue date. However, if the State has special requirements, you will be able to pre-select the expiration date, such as a one or three year expiration period.

Replacement cards will be sent automatically to your program administrator, or directly to the cardholder depending on bulk ship options, 30 days prior to the expiration date on the cards. Cards will in turn be forwarded to cardholders. If for any reason a the State cardholder is traveling when the card expires, the current card will automatically remain active for one month after the actual expiration date.

Account Maintenance

Account maintenance is facilitated through the online maintenance function of PaymentNet (described in our response to *question 13 (I) of Program Specifications*). To review, your program administrator can accomplish a variety of account maintenance tasks including account terminations, credit limit changes, and changes to a cardholder's profile.

Note that all changes made through the online maintenance function of PaymentNet are real-time and effective immediately.



- b. The system shall provide electronic flexibility to open, close and change cardholder accounts.

Contractor Response:

Please see response to *question 13 (l) of Program Specifications* for a full overview of the above-referenced account maintenance functions.

2. Replacement

Lost or stolen cards must be replaced at no cost to the State.

- a. The systems should have a process for replacing lost or stolen cards, including timeframes.

Contractor Response:

In the event a card is lost or stolen, the State should notify JPMorgan Chase immediately. We will promptly cancel the account to prevent further liability on the program. Our cardholder support team is available 24/7 to cancel and reissue lost or stolen cards.

Note that standard delivery for card replacements is within three to five business days. Overnight delivery is available via rush request.

- b. The Contractor must have a policy for reporting lost or stolen cards and the assistance you provide for lost or stolen cards both domestically and internationally.

Contractor Response:

If a replacement card is needed, cardholders, both foreign and domestic, are instructed to contact our cardholder support team. Our cardholder support team is available 24/7 to cancel and reissue lost or stolen cards. If the cardholder does not have ready access to this number, he or she can contact the State's program administrator who will, in turn, request a replacement card on behalf of the cardholder.

Standard replacement cards typically arrive within three to five business days. For emergency rush requests, cards can be sent overnight to either the cardholder or the program administrator.

- c. The Contractor will maintain policy regarding liability for unauthorized charges resulting from a lost or stolen card.

Contractor Response:

In most cases, the merchant is responsible for any fraudulent activity resulting from a lost or stolen card. If funds were not recovered from the merchant, the client (on a corporate or centrally billed platform) is responsible for all losses related to the program. Typically, any losses are netted out of the program rebate opportunity.

To review, liability for corporate or centrally billed commercial card charges resides with the organization, not the cardholder. In general, liability includes the amount of all transactions made using authorized cards. If a card is lost or stolen, the State is liable only for charges made prior to the time JPMorgan Chase is notified. Charges on a card not reported lost or stolen can be minimized by effectively setting cardholder limits. For example, a card set up for wholesale type purchases only will not be useable at the type of merchant where fraud is likely to occur (e.g., jewelers or furriers).

3. Cancellation

The State shall not be liable for charges incurred after verbal or written notice to the Contractor to cancel a card. As part of its procedures, the State will recover credit cards whenever possible from employees upon retirement, discharge, or resignation.



- a. The Contractor shall provide account suspension and cancellation policies and procedures.

Contractor Response:

Our best practice for updating account status is to build a process into employee terminations. The State's program administrator would enter changes directly into PaymentNet, thereby reducing the opportunity for fraud/misuse.

We are also capable of processing account changes (e.g., terminations) based on mass data received from the employee data refresh file. Upon receipt of this file, data is loaded directly into PaymentNet and updates posted automatically—thus eliminating the need for manual account maintenance tasks.

Once a card has been cancelled it cannot be reinstated. However, your program administrator can immediately reissue new cards through PaymentNet's online maintenance feature. Individually liable cardholder accounts cancelled due to delinquency or non-payment will be eligible for a new card if the State signs to guarantee the account. (Accounts simply suspended for delinquency will automatically reopen upon receipt of payment.)

Additionally, your program coordinator can coordinate all account reinstatements.

4. Card Format Design

The card format should be distinctive so that it readily identifies the cardholder as an employee of the State of Michigan.

- a. The Contractor shall have the ability to provide customized cards to the State of Michigan specifications. The following data at a minimum is required on the card.
 - State of Michigan
 - Phrase: For Official Use Only – Tax Exempt
 - Cardholder Name
 - Agency of the cardholder
 - The Contractor's free "help" telephone number printed on the reverse side of the card.

Contractor Response:

JPMorgan Chase can comply with all of the above requirements. Furthermore, we offer three card options including cards stamped with the State's logo, or fully customized cards. Note that we will work with you to design a commercial card that will help you achieve your objectives. If the State is pleased with its current plastic, there would be no need to reissue cards or create new plastic.

1.2 Roles and Responsibilities

1.201 Contractor Staff, Roles, and Responsibilities

The Contractor shall provide a **role and responsibilities table** that outlines all of the anticipated team roles and overall time commitments for this project. Descriptions of roles should be functional and not just by title, include information on the particular skills required for each identified role. A sample project organizational chart is provided in Article 1, Appendix B including prime contractor staff, subcontractor staff, and anticipated State staff.

Role	Description of Role	Key Personnel Assigned
Single Point of Contact	Relationship Manager: responsibilities include establishing key relationships with senior executives, conducting periodic onsite program reviews and meetings, developing and implementing industry best practices, and integrating expansion service to fully maximize growth	Dan Trbovic
Project Manager	Relationship Manager: responsibilities include delivering customized solutions, providing best practices, serving as a point of escalation, and maintaining overall customer satisfaction.	Dan Trbovic



Note: A project manager shall be identified from the contractor who can plan, organize, coordinate, monitor, and guide the contracting team and converse with their counterpart in the State and escalate issues of respondent organization for resolution.

Contractor Response:

We are pleased to offer the continued support of Dan Trbovic as your dedicated relationship manager.

1.202 State Staff, Roles, and Responsibilities

The State of Michigan envisions a State procurement card management structure consisting of the following primary groups and individuals for the State:

1. Purchasing Director - provides overall top level direction, policy formulation and program evaluation for the State of Michigan.
2. Contract Compliance Inspector - Individual appointed to manage the program on a day-to-day basis.
3. Agency Program Administrators (approximately 49) – Individual appointed by each State agency to manage the Procurement Card Program in an individual agency for all specified agency locations. Reports to the State agency but has a collateral responsibility to the State Contract Administrator and State Purchasing Director.
4. Agency Cardholders (approximately 3,800)– Individuals appointed to possess and utilize procurement cards for official State purchases. For the purposes of the Procurement Card Program, has responsibility to the State Agency Program Administrator.
5. Purchasing Operations buyer – authorizes modifications to contract.

1.203 Other Roles and Responsibilities - Reserved

1.3 Project Plan

1.301 Project Plan Management

The Contractor will carry out the program implementation and ongoing services under the direction and control of the Department of Management and Budget, Office of Financial Services.

Although there will be continuous liaison with the Contractor team, the DMB-Office of Financial Services Contract Compliance Inspector will meet with the Contractor's program manager for the purpose of reviewing performance and providing necessary guidance to the Contractor in solving problems which arise.

The Contractor will submit brief written monthly summaries of performance which outline the work accomplished during the reporting period (in this context reporting period is the prior month); work to be accomplished during the subsequent reporting period; problems, real or anticipated, which should be brought to the attention of the DMB-Office of Financial Services Contract Compliance Inspector; and notification of any significant deviation from previously agreed-upon work plans. These reports will be provided monthly until such time as the program is running successfully and at the State of Michigan Contract Compliance Inspector's direction are determined to no longer be necessary. The Contractor and the Contract Compliance Inspector on behalf of the State of Michigan shall continually evaluate the performance, efficiency and effectiveness of the program utilizing at least monthly status phone calls and an annual site visit by contractor program management.

Within ten (10) working days of the execution of the Contract, the Contractor will submit to the DMB-Office of Financial Services Contract Administrator for final approval a work plan. This final implementation plan must be in agreement with the plan proposed by the Contractor and accepted by the State for Contract, and must include the following:

- (a) The Contractor's project organizational structure.
- (b) The Contractor's staffing table with names and title of personnel assigned to the project.



- (c) The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
- (d) The time-phased plan in the form of a graphic display, showing each event, task, and decision point in your work plan.

Contractor Response:

In response to the above requirements regarding program evaluation and performance summaries, we will commit to performing regular account reviews to compare the State's program performance against industry benchmarks and standards. These account reviews are scheduled with your program administrator and are coordinated by your relationship manager.

During your review, JPMorgan Chase will:

Review program goals set during implementation

Discuss PaymentNet utilization

Assess use of JPMorgan Chase resources and tools (e.g., training, technology)

Evaluate current payment options, spending limits, and servicing practices against industry best practices

Provide a rebate assessment to date

Provide industry benchmarking and best practice studies.

1.302 Reports

The purchasing card system must be capable of generating standard reports that detail cardholder transactions, cardholder listing, supplier information, accounting information at no additional cost and in a variety of formats. When requested, Contractor must be able to provide customized reports within the timeframes indicated in section 1.104.

Contractor Response:

Standard Reports

Please refer to our response to *question 12 (a) of Program Specifications* for a full description of the standard reports available through PaymentNet.

Customized Reports

As previously stated in our response to *question 12 (a) of Program Specifications*, custom report requests are initiated through your relationship manager. Turn-around times and costs involved are dependent on the level of customization required. Our IT department has a system (MapTrack) for tracking the status of custom report requests.

Further note that JPMorgan Chase has consistently provided the State with customized reports in the timeframe requested.

1.4 Project Management

1.401 Issue Management

An issue is an identified event or task and concern that if not addressed may affect schedule, scope, quality, and/or budget.

The Contractor shall utilize the State's issue management process to log, manage, and track project related issues. The Contractor may also utilize an internal issue management process that contains the following minimum elements:

- Description of issue, including the identification of interdependencies with other related issues and the impacts if not resolved
- Issue identification date
- Responsibility for resolving issue
- Priority for issue resolution (to be mutually agreed upon by the State and the Contractor)
- Expected resolution date
- Resolution description



The Contractor shall maintain an issue management log to report out project-related issues. The issue management log must be communicated to the State of Michigan Project Manager, which include bi-weekly, or as agreed upon, email notifications and updates. Both parties must agree to escalation procedures and timeframes at the beginning of the project and whom escalation will involve on both sides.

Contractor Response:

JPMorgan Chase will comply with all of the above requirements. As previously stated, your relationship manager and your program coordinator are your key points of contact and will address any issues you may be experiencing. Should a problem arise, we will research the obstacle and respond to you within 48 hours.

Furthermore, we currently maintain an issue log in addition to frequent status calls. We are happy to continue our current processes or to adjust them if requested by the State.

1.402 Risk Management

A risk is an unknown circumstance or event affecting schedule, scope, quality, and/or budget that, if it occurs, may have a positive or negative impact on the project.

The Contractor is responsible for establishing a risk management plan and process, including the identification and recording of risk items, prioritization of risks, definition of mitigation strategies, monitoring of risk items, and periodic risk assessment reviews with the State.

A risk management plan format shall be submitted to the State for approval within 20 business days after the effective date of the contract resulting from the upcoming RFP. The risk management plan will be developed during the initial planning phase of the project, and be in accordance with the State's PMM methodology (see section 2.052). Once both parties have agreed to the format of the plan, it shall become the standard to follow for the duration of the contract. The plan must be updated bi-weekly, or as agreed upon.

The Contractor shall provide a tool to track risks. The Contractor will work with the State and allow input into the prioritization of risks.

The Contractor is responsible for identification of risks for each phase of the project. Mitigating and/or eliminating assigned risks will be the responsibility of the Contractor. The State will assume the same responsibility for risks assigned to them

Contractor Response:

Agreed. JPMorgan Chase currently maintains an internal risk management strategy that encompasses the above provisions. Prior to contract execution, we will work with the State to formulate a risk management plan that is mutually agreed upon by both parties.

1.403 Change Management

If a proposed contract change is approved by the Contract Compliance Inspector, the Contract Compliance Inspector will submit a request for change to the Department of Management and Budget, Purchasing Operations Buyer, who will make recommendations to the Director of Purchasing Operations regarding ultimate approval/disapproval of change request. If the DMB Purchasing Operations Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Purchasing Operations Buyer will issue an addendum to the Contract, via a Contract Change Notice. **Vendors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Purchasing Operations, risk non-payment for the out-of-scope/pricing products and/or services.**



1.5 Acceptance

1.501 Criteria

The following criteria will be used by the State to determine Acceptance of the Services, Software and Deliverables provided under this SOW.

1. Document Deliverables

Documents include, but not limited to, plans, design documents, project schedules, user guides, technical support manuals and procedure manuals.

- a. Documents are dated and in electronic format, compatible with State of Michigan software.
- b. Requirements Traceability Matrix is reviewed and updated throughout the development process to assure requirements are delivered in final product.
- c. Beta documents are not accepted as final deliverable.
- d. The documents will be reviewed and accepted in accordance with the requirements of the contract and the accepted Respondent's proposal.
- e. The State of Michigan will review business documents within 30 days of receipt. Approvals will be written and signed by the State of Michigan Project Manager within DMB. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit documents for approval within 30 days of receipt.
- f. The State of Michigan will review technical documents within 30 days of receipt. Approvals will be written and signed by the State of Michigan Project Manager. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit documents for approval within 30 days of receipt.
- g. The State of Michigan Project Manager will review project documents within 30 days of receipt. Approvals will be written and signed by the State of Michigan Project Manager. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit documents for approval within 30 days of receipt.

2. Software Deliverables

Software includes, but not limited to, software product, development tools, support tools, data migration software, integration software and installation software.

- a. Beta software is not accepted as final deliverable.
- b. The software will be reviewed and accepted in accordance with the requirements of this contract and the accepted Respondent's proposal.
- c. The State of Michigan will review software within 30 days of receipt for acceptance of functionality, usability, installation, performance, security, standards compliance, backup/recovery and operation. Approvals will be written and signed by the State of Michigan Project Manager. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit software for approval within 30 days of receipt.
- d. Software is installed and configured, with assistance from DIT, in appropriate environment (e.g. development, test, production). Contingency plans and de-installation procedures and software are provided by Contractor and approved The State of Michigan Project Manager with assistance from the State.
- e. Final software testing is successfully performed in the State of Michigan Infrastructure without any compatibility issues. Software is accessible by central, remote and external users.
- f. The State will review test software, data and results within 30 days of receipt. Approvals will be written and signed by the State of Michigan Project Manager with assistance from other State agencies. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit test software, data and results for approval within 30 days of receipt.
- g. The State will review software license agreements within 30 days of receipt. Approvals will be written and signed by the State of Michigan Project Manager with assistance from DIT. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit license agreement for approval within 30 days of receipt.



- h. Software source code, where applicable, is reviewed by the State within 30 days of receipt for readability, structure, and configuration management. Approvals will be written and signed by the State of Michigan Project Manager with assistance from DIT. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit source code for approval within 30 days of receipt.

3. Service Deliverables

Services include, but are not limited to training, software development, data migration, help desk and support.

- a. The services will be accepted in accordance with the requirements of this contract and the accepted Respondent's proposal.
- b. The State will review a 'Request for Approval of Services' within 30 days of completion or implementation. Approvals will be written and signed by the State of Michigan Project Manager with assistance from DMB and DIT. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit a 'Request for Approval of Services' for approval within 30 days of receipt.
- c. The State will review migrated and configured data within 30 days of completion. Approvals will be written and signed by the State of Michigan Project Manager with assistance from State Agencies. Unacceptable issues will be documented and submitted to the Contractor. After issues are resolved or waived, the Contractor will resubmit a request for approval within 30 days of receipt.
- d. The State staff are trained sufficiently to operate and utilize the system to perform their required daily functions, and supplied with the proper tools and documentation to support, upgrade, monitor, operate and configure the application in accordance with the requirements of this contract and the accepted Respondent's proposal.
- e. The Contractor has the tools and connectivity installed, in compliance with DIT standards, to properly support and monitor the application.

1.502 Final Acceptance - Reserved

1.6 Compensation and Payment

1.601 Compensation and Payment

All prices/rates quoted this Contract will be firm for the duration of the Contract. No price changes will be permitted. See Article 1, Attachment A for price sheet.

1.7 Additional Terms and Conditions Specific to this SOW

1.701 Additional Terms and Conditions Specific to this SOW - Reserved



Article 1, Attachment A, Pricing
STATE OF MICHIGAN
INCENTIVES & FEES

DEFINITIONS

“Average Fileturn” means the number of days between the transaction posting date and the posting date of payment in full, averaged over the rebate calculation period.

“Average Large Ticket Transaction Size” means Large Ticket Transaction Volume divided by the total number of transactions included in the calculation of Large Ticket Transaction Volume.

“Charge Volume” means total U.S. dollar charges made on a Bank Commercial Card, net of returns, and excluding Large Ticket Transactions greater than 5% of Charge Volume, cash advances, convenience check amounts, fraudulent charges and any transactions that do not qualify for interchange under applicable Association rules.

“Contract Year” means a 12-month period beginning on the date hereof or any anniversary of such date.

“Credit Losses” means all amounts due to Bank in connection with any Account that Bank has written off as uncollectible, excluding Fraud Losses.

“Fraud Losses” means all amounts due to Bank in connection with any Account that Bank has written off as uncollectible as a result of a card being lost, stolen, misappropriated, improperly used or compromised.

“Large Ticket Transaction” means a transaction that the Associations have determined is eligible for a Large Ticket Rate.

“Large Ticket Transaction Volume” means total U.S. dollar Large Ticket Transactions made on a Bank Commercial Card, net of returns and excluding cash advances, convenience check amounts, fraudulent charges and any transactions that do not qualify for interchange under applicable Association rules.

“Losses” means all Credit Losses and Fraud Losses.

“Settlement Terms” means the combination of the number of calendar days in a billing cycle and the number of calendar days following the end of a billing cycle to the date the payment is due. Settlement Terms are expressed as X & Y, where X is the number of calendar days in the billing cycle and Y is the number of calendar days following the end of a billing cycle to the date the payment is due.



BONUSES

Renewal Bonus

Bank will pay the Client a bonus of \$100,000 within 30 days of the renewal of the Agreement. Should Client not achieve \$40,000,000.00 in Charge Volume during the first 12 months after execution of this Agreement, the Client shall refund to Bank a pro-rata portion of the bonus based on the percentage of shortfall in Charge Volume (the signing bonus amount multiplied by the percentage of Charge Volume achieved, and then subtracted from the bonus). Such refund will be invoiced to the Client and payable within 14 days. Should the Client terminate the Agreement less than three years after renewal, the bonus must be returned to Bank on a pro-rata calendar basis.

REBATES

Volume and Average Fileturn Rebates

Bank will pay the Client a rebate based on the annual Charge Volume and Average Fileturn tier achieved in the following schedule.

Rebate

Charge Volume	Average Fileturn					
	26-29	21-25	16-20	11-15	6-10	<=5
\$30,000,000	1.13%	1.17%	1.22%	1.27%	1.32%	1.37%
\$35,000,000	1.16%	1.20%	1.25%	1.30%	1.35%	1.40%
\$40,000,000	1.19%	1.23%	1.28%	1.33%	1.38%	1.43%
\$45,000,000	1.21%	1.25%	1.30%	1.35%	1.40%	1.45%
\$50,000,000	1.22%	1.26%	1.31%	1.36%	1.41%	1.46%
\$55,000,000	1.23%	1.27%	1.32%	1.37%	1.42%	1.47%
\$60,000,000	1.24%	1.28%	1.33%	1.38%	1.43%	1.48%
\$70,000,000	1.25%	1.29%	1.34%	1.39%	1.44%	1.49%
\$80,000,000	1.26%	1.30%	1.35%	1.40%	1.45%	1.50%
\$90,000,000	1.27%	1.31%	1.36%	1.41%	1.46%	1.51%
\$100,000,000	1.28%	1.32%	1.37%	1.42%	1.47%	1.52%



Large Ticket Rebate

For Large Ticket Transaction Volume less than or equal to 5% of Charge Volume, the Bank will pay a rebate on such Large Ticket Transaction Volume at the same rate as Charge Volume.

General Rebate Terms

Rebates will be calculated annually in arrears. Rebate amounts are subject to reduction by all Losses. If Losses exceed the rebate earned for any calendar year, Bank will invoice the Client for the amount in excess of the rebate, which amount shall be payable within 14 days. Upon termination of the Program, the Losses for the six-month period immediately preceding the termination will be deemed to be equal to the Losses for the prior six-month period.

Rebate payments will be made in the first quarter for the previous calendar year or within 90 days after the end of the Contract Year via Automated Clearing House ("ACH") credit to an account designated by the Client.

To qualify for any rebate payment, all of the following conditions apply.

- a. Settlement of any centrally billed account(s) must be by automatic debit or by Client initiated ACH or wire.
- b. Payments must be received by Bank in accordance with the Settlement Terms. Delinquent payments shall be subject to a Past Due Fees as specified below. Settlement Terms are 30 & 14.
- c. The Client is not in Default under the Agreement.
- d. Account(s) must be current at the time of rebate calculation and payment.

Fees

- a. Annual Administration Fee:

Purchasing Cards: \$ 0 per Card per year or \$ 0 per Card per month.

- b. Late payment Fee:

Purchasing Card grace period after statement billing date: 14 days

1.0 % late fee at 45 days

2.5% late fee at 45 days and every 30 days thereafter

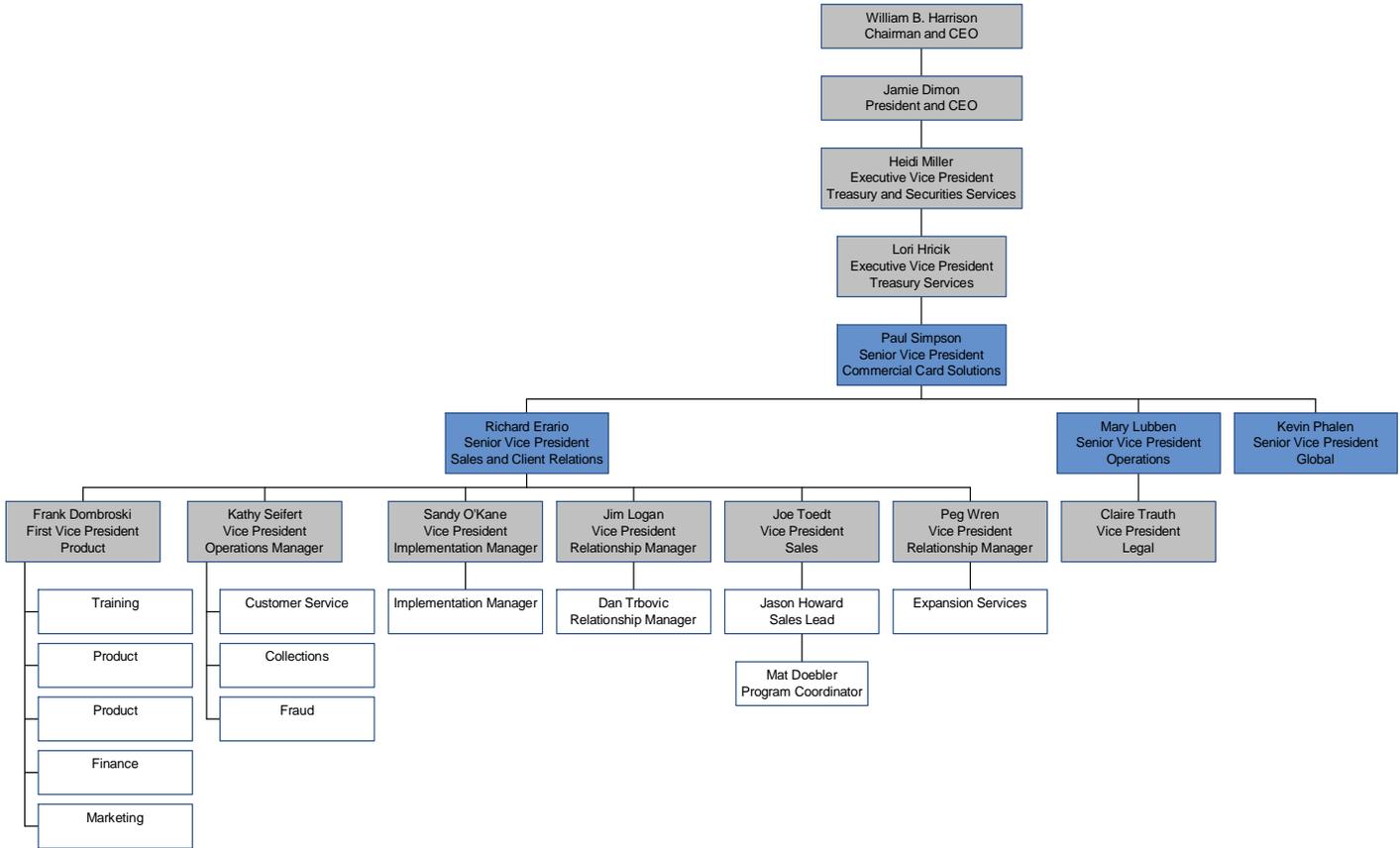
- c. Currency Conversion: 1% of gross purchased amount
- d. Copy Retrieval Fee, per Request: \$10.00 each
- e. Returned Item (Insufficient Funds) Fee: \$15.00 per occurrence
- f. Emergency Card Replacement Fee: \$25.00 if effected through Contractor. If effected through MasterCard or Visa, the State shall pay any fees charged by MasterCard and Visa for emergency card replacement.
- g. Complete State Card Design and Production \$0 setup and \$0 per Card.
- h. Development of custom mappers: \$100 per hour; minimum charge \$400; \$2,000 maximum charge.
- i. Development of customized reports: Waived for first three reports; thereafter, \$100 per hour; minimum charge \$400; \$2,000 maximum charge.
- j. PaymentNet set up fee: \$0; or PaymentWeb set up fee: no charge.
- k. File Transfer Protocol (FTP) –choose from the following _ Daily (\$500/month); __ Weekly (\$250/month); __ Bi-Weekly (\$125/month); __ Monthly \$75/month)

Other

Should the State request services not in this schedule, the State agrees to pay the fee associated with such service.



Article 1, Attachment B
Organizational Chart, including Key Personnel





Article 1, Attachment C, D, E & F - Reserved



Article 2 – General Terms and Conditions

2.010 Contract Structure and Administration

2.011 Definitions

Capitalized terms used in this Contract (including its Exhibits) shall have the meanings given below, unless the context requires otherwise:

- (a) “Days” means calendar days unless otherwise specified.
- (b) “24x7x365” means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
- (c) “Additional Service” means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. “Additional Service” does not include New Work.
- (d) “Amendment Labor Rates” means the schedule of fully-loaded hourly labor rates attached as Article 1, Attachment C.
- (e) “Audit Period” has the meaning given in Section 2.111.
- (f) “Business Day,” whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
- (g) “Incident” means any interruption in Services.
- (h) “Business Critical” means any function identified in any Statement of Work as Business Critical.
- (i) “Deliverable” means physical goods and/or commodities as required or identified by a Statement of Work
- (j) “Key Personnel” means any Personnel designated in Article 1, Section 1.201 and/or Attachment B, as Key Personnel.
- (k) “New Work” means any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration. “New Work” does not include Additional Service.
- (l) “Services” means any function performed for the benefit of the State.
- (m) “State Location” means any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
- (n) “Subcontractor” means a company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
- (o) “Work in Process” means a Deliverable that has been partially prepared, but has not been presented to the State for Approval.

2.012 Attachments and Exhibits

All Attachments and/or Exhibits attached to any, and all Statement(s) of Work, attached to, or referencing this Contract, are incorporated in their entirety into, and form part of, this Contract.

2.013 Statements of Work

(a) The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract, or an amendment to this Contract (see 2.106). Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.

(b) Unless otherwise agreed by the parties, each Statement of Work (as defined in Article 1) will include, or incorporate by reference to the appropriate Contract Article 1 Attachment containing, the following information:

- a description of the Services to be performed by Contractor under the Statement of Work;
- a project schedule (including the commencement and completion dates for all tasks, subtasks (for all projects of sufficient duration and complexity to warrant sub task breakdown), and Deliverables;



- a list of the Deliverables to be provided, if any, including any particular specifications and acceptance criteria for such Deliverables, and the dates on which the Deliverables are scheduled to be completed and delivered to the State;
 - all Deliverable price schedules and other charges associated with the Statement of Work, the overall fixed price for such Statement of Work and any other appropriate pricing and payment terms;
 - a specification of Contractor's and the State's respective performance responsibilities with respect to the performance or completion of all tasks, subtasks and Deliverables;
 - a listing of any Key Personnel of Contractor and/or its Subcontractors for that Statement of Work and any future Statements of Work;
 - any other information or provisions the parties agree to include.
- (c) Reserved.
- (d) The initial Statements of Work, as of the Effective Date, are attached to this Contract.

2.014 Issuing Office

This Contract is issued by the Department of Management and Budget, Purchasing Operations ("DMB-PO") (collectively, including all other relevant State of Michigan departments and agencies, the "State"). DMB-PO is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. **DMB-PO is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contractor Administrator within Purchasing Operations for this Contract is:

Melissa Castro, CPPB
Purchasing Operations
Department of Management and Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: castrom@michigan.gov
Phone: 517-373-1080

2.015 Contract Compliance Inspector

Upon receipt at DMB-PO of the properly executed Contract, it is anticipated that the Director of DMB Purchasing Operations, in consultation with (insert the end using agency), will direct that the person named below, or any other person so designated, be authorized to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. However, monitoring of this Contract implies **no authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of such Contract as that authority is retained by Purchasing Operations.** The Contract Compliance Inspector for this Contract is:

Ken Mitchell
Department of Management & Budget
Mason Bldg, 2nd Floor
PO Box 30026
Lansing, MI 48909
Email: mitchellk1@michigan.gov
Phone: 517-241-4121

2.016 Project Manager - Reserved

2.020 Contract Objectives/Scope/Background

2.021 Background - Reserved

2.022 Purpose – Reserved

**2.023 Objectives and Scope - Reserved****2.024 Interpretation - Reserved****2.025 Form, Function and Utility**

If the Contract is for use of more than one State agency and if the Deliverable/Service does not meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.030 Legal Effect and Term**2.031 Legal Effect**

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.032 Contract Term

This Contract is for a period of three (3) years commencing June 1, 2007 through May 31, 2010. All outstanding Purchase Orders shall also expire upon the termination (cancellation for any of the reasons listed in 2.210) of the Contract, unless otherwise extended pursuant to the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.033 Renewal(s)

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to three (3) additional one (1) year periods. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

2.040 Contractor Personnel**2.041 Contractor Personnel**

(a) Personnel Qualifications. All persons assigned by Contractor to the performance of Services under this Contract shall be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and shall be fully qualified to perform the work assigned to them. Contractor shall include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role shall be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

(b) Key Personnel

(i) In discharging its obligations under this Contract, Contractor shall provide the named Key Personnel on the terms indicated. Article 1, Attachment B provides an organization chart showing the roles of certain Key Personnel, if any.

(ii) Key Personnel shall be dedicated as defined in Article 1, Attachment B to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.



(iii) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. Additionally, the State's request shall be based on legitimate, good-faith reasons. Proposed alternative for the individual denied, shall be fully qualified for the position.

(iv) Contractor shall not remove any Key Personnel from their assigned roles or the Contract without notice to the State. If the Contractor does remove Key Personnel without notice to the State, it shall be considered an unauthorized removal ("Unauthorized Removal"). It shall not be considered an Unauthorized Removal if Key Personnel must be replaced for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. It shall not be considered an Unauthorized Removal if Key Personnel must be replaced because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides thirty (30) days of shadowing unless parties agree to a different time period. The Contractor with the State shall review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its rights under **Section 2.210**.

(c) **Staffing Levels.**

(i) All staff requirements not specified in the applicable Statement of Work or State-approved project plan as State personnel will be supplied by Contractor. This includes secretarial, clerical and Contract administration support staff necessary for Contractor to perform its obligations hereunder.

(ii) Contractor shall provide sufficient personnel resources for the completion of Contract tasks indicated in Contractor's project plan approved by the State. If the level of personnel resources is insufficient to complete any Contractor Contract tasks in accordance with the Contract time schedule as demonstrated by Contractor's failure to meet mutually agreed to time schedules, Contractor shall promptly add additional qualified personnel resources to the performance of the affected tasks, at no additional charge to the State, in an amount sufficient to complete performance of Contractor's tasks in accordance with the Contract time schedule.

(d) **Location.** All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

2.042 Contractor Identification

Contractor employees shall be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.043 Cooperation with Third Parties

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel, and, as reasonably requested by the State, to provide to the State's agents and other contractors with reasonable access to Contractor's Project personnel, systems and facilities to the extent they relate to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities and provided Contractor receives reasonable prior written notice of such request. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with such requests for access.

**2.044 Subcontracting by Contractor**

(a) Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

(b) In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract.

2.045 Contractor Responsibility for Personnel

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services.

*2.050 State Standards***2.051 Existing Technology Standards**

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at www.michigan.gov/dit.

2.052 PM Methodology Standards - Reserved**2.053 Adherence to Portal Technology Tools**

The State has adopted the following tools for its Portal Technology development efforts:

- Vignette Content Management and personalization Tool
- Inktomi Search Engine
- E-Pay Payment Processing Module
- Websphere Commerce Suite for e-Store applications

Unless otherwise stated, Contractor must use the Portal Technology Tools to implement web content management and deployment efforts. Tools used for web-based application development must work in conjunction with Vignette and Inktomi. The interaction with Vignette and Inktomi must be coordinated with DIT, Enterprise Application Services Office, e-Michigan Web Development team.

Contractors that are compelled to use alternate tools must have received an exception from DIT, Enterprise Application Services Office, e-Michigan Web Development team, before this Contract is effective.

2.054 Acceptable Use Policy

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see <http://www.michigan.gov/ditservice/0,1607,7-179-25781-73760--,00.html>. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.060 Deliverables**2.061 Ordering**

(a) Any Services/Deliverables to be furnished under this Contract shall be ordered by issuance of written Purchase Orders/Blanket Purchase Order by the State after approval by the Contract Administrator or his/her designee. All orders are subject to the terms and conditions of this Contract. In the event of conflict between an order and this Contract, the Contract shall take precedence as stated in **Section 2.293**. In no event shall any additional terms and conditions contained on a Purchase Order/Blanket Purchase Order be applicable, unless specifically contained in that Purchase Order/Blanket Purchase Order's accompanying Statement of Work.

2.062 Software

The Contract lists the items of software the State is required to purchase for execution the Contract. The Contract includes all software required to complete the Contract and make the Deliverables operable; if any additional software is required in order for the Deliverables to meet the requirements of this Contract, such software shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Statement of Work or Contract Change Notice).

2.063 Hardware

The Contract lists the items of hardware the State is required to purchase for execution the Contract. The list in the Contract includes all hardware required to complete the Contract and make the Deliverables operable; if any additional hardware is required in order for the Deliverables to meet the requirements of this Contract, such hardware shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Contract Change Notice).

2.064 Equipment to be New and Prohibited Products**(a) Equipment to be New**

If applicable, all equipment provided under this Contract by Contractor shall be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

(b) Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.106**.

2.070 Performance**2.071 Performance, In General**

The State engages Contractor to execute the Contract and perform the Services/provide the Deliverables, and Contractor undertakes to execute and complete the Contract in its entirety in accordance with the terms and conditions of this Contract and with the participation of State representatives as specified in this Contract.

**2.072 Time of Performance**

(a) Contractor shall use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables in accordance with the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.072(a)**, Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and, in such event, shall inform the State of the projected actual delivery date.

(c) If Contractor believes that a delay in performance by the State has caused or will cause Contractor to be unable to perform its obligations in accordance with specified Contract time periods, Contractor shall notify the State in a timely manner and shall use commercially reasonable efforts to perform its obligations in accordance with such Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent such delay is caused by the State.

2.073 Liquidated Damages - Reserved**2.074 Bankruptcy**

If Contractor shall file for protection under the bankruptcy laws, or if an involuntary petition shall be filed against Contractor and not removed within 30 days, or if the Contractor becomes insolvent, be adjudicated bankrupt, or if it should make a general assignment for the benefit of creditors, or if a receiver shall be appointed due to its insolvency, and Contractor and/or its affiliates are unable to provide reasonable assurances that Contractor and/or its affiliates can deliver the services provided herein, the State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part.

2.075 Time is of the Essence - Reserved**2.076 Service Level Agreements (SLAs) - Reserved**2.080 *Delivery and Acceptance of Deliverables***2.081 Delivery Responsibilities - Reserved****2.082 Delivery of Deliverables**

(a) Where applicable, the Statements of Work/POs contain lists of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable"), a good ("Physical Deliverable") or a Service. All Deliverables shall be completed and delivered for State review and written approval and, where applicable, installed in accordance with the State-approved delivery schedule and any other applicable terms and conditions of the Contract.

2.083 Testing - Reserved



2.084 Approval of Deliverables, In General

- (a) All Deliverables (Physical Deliverables and Written Deliverables) and Services require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which will include the successful completion of Testing as applicable in **Section 2.083**, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.
- (b) The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables/Services being reviewed.
- (c) Prior to commencement of its review or testing of a Deliverable/Service, the State may inspect the Deliverable/Service to confirm that all components of the Deliverable/Service have been delivered without material deficiencies. If the State determines that the Deliverable/Service has material deficiencies, the State may refuse delivery of the Deliverable/Service without performing any further inspection or testing of the Deliverable/Service. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable or the Service begins, and the State and Contractor agree that the Deliverable/Service is ready for use and, where applicable, certification by Contractor in accordance with **Section 2.083(a)**.
- (d) The State will approve in writing a Deliverable/Service upon confirming that it conforms to and, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable/Service that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable/Service that remain outstanding at the time of State approval.
- (e) If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing Final Acceptance of a Deliverable/Service, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep the Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the Contract price for such Deliverable/Service and will pay the State an additional sum equal to 10% of such excess expenditure to cover the State's general expenses provided the State can furnish proof of such general expenses; or (iii) terminate the particular Statement of Work for default, either in whole or in part by notice to Contractor provided Contractor is unable to cure such breach. Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.
- (f) The State, at any time and in its reasonable discretion, may halt the testing or approval process if such process reveals deficiencies in or problems with a Deliverable/Service in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may stop using the Service or return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the testing or approval process.

2.085 Process For Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of 100 pages or less and 10 Business Days for Written Deliverables of more than 100 pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Deliverable (or at the State's election, subsequent to approval of the Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Deliverable to confirm that the identified deficiencies have been corrected.



2.086 Process for Approval of Services

The State Review Period for approval of Services is governed by the applicable Statement of Work (failing which the State Review Period, by default, shall be 30 Business Days for Services). The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Service is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Services (or at the State's election, subsequent to approval of the Service). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within 30 Business Days resubmit the Service in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon implementation of a corrected Service from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Service for conformity and that the identified deficiencies have been corrected.

2.087 Process for Approval of Physical Deliverables - Reserved

2.088 Final Acceptance - Reserved

2.090 Financial

2.091 Pricing - Reserved

2.092 Invoicing and Payment Procedures and Terms

(a) Invoicing and Payment – In General

(i) Each Statement of Work issued under this Contract shall list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.

(ii) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. The charges for Services billed on a time and materials basis shall be determined based on the actual number of hours of Services performed, at the applicable Labor Rates specified in **Article 1, Attachment C**. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 2.094**.

(iii) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within forty-five (45) days after receipt, provided the State determines that the invoice was properly rendered.

(b) Taxes (See Section 2.305 and Article 3, Section 3.022-3.024 for additional)

The State is exempt from Federal Excise Tax, State and Local Sales Taxes, and Use Tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in Contract prices as long as the State maintains such exemptions. Copies of all tax exemption certificates shall be supplied to Contractor, if requested.

(c) Out-of-Pocket Expenses

Contractor acknowledges that the out-of-pocket expenses that Contractor expects to incur in performing the Services/ providing the Deliverables (such as, but not limited to, travel and lodging, document reproduction and shipping, and long distance telephone) are included in Contractor's fixed price for each Statement of Work. Accordingly, Contractor's out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State's current travel reimbursement rates. See http://www.mi.gov/dmb/0,1607,7-150-9141_13132---,00.html for current rates.



(d) Pro-ration

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall be pro-rated for any partial month.

(e) Antitrust Assignment

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

(f) Final Payment

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.093 State Funding Obligation

The State's obligation under this Contract is payable only and solely from funds appropriated for the purpose of this Contract. Contractor acknowledges and agrees that all funds for payments after the end of the current fiscal year are subject to the availability of a legislative appropriation for the purpose of this Contract. Events of non-appropriation are addressed further in **Section 2.210** of this Contract.

2.094 Holdback - Reserved

2.095 Electronic Payment Availability

Public Act 533 of 2004 requires that payments under this contract be processed by electronic funds transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Payment Express website (www.cpexpress.state.mi.us).

2.100 Contract Management

2.101 Contract Management Responsibility

(a) Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with Article 1, Attachment E (Project Plan) is likely to delay the timely achievement of any Contract tasks.

(b) The Services/Deliverables will be provided by the Contractor either directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

2.102 Problem and Contract Management Procedures

Problem Management and Contract Management procedures will be governed by the Contract and the applicable Statements of Work.



2.103 Reports and Meetings – Reserved

2.104 System Changes

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the State. Any changes Contractor makes to State systems with the State's approval shall be done in accordance with applicable State procedures, including security, access and configuration management procedures.

2.105 Reserved

2.106 Change Requests

The State reserves the right to request from time to time, any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the services/deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to notify the State before commencing performance of the requested activities, any such activities performed before notice is given by the Contractor shall be conclusively considered to be in-scope Services/Deliverables, not New Work.

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable. If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.

In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(a) Change Requests

(i) State Requests

If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").

(ii) Contractor Recommendations

Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(iii) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.



(iv) By giving Contractor written notice within a reasonable time, the State shall be entitled to accept a Contractor proposal for Change, to reject it or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice shall be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(v) No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.

(vi) If the State requests or directs Contractor to perform any activities that Contractor believes constitute a Change, Contractor must notify the State that it believes the requested activities are a Change prior to commencing the performance of the requested activities. If Contractor fails to so notify the State prior to commencing performance of the requested activities, such activities shall be considered to be performed gratuitously by Contractor, and Contractor shall not have any right thereafter to assert any claim for additional compensation or time for the performance of such activities. If Contractor commences performance of gratuitous services outside the scope of this Contract and subsequently elects to stop performing such out-of-scope services, Contractor must, at the request of the State, back out or reverse any changes resulting from such performance that would adversely affect the Contract.

2.107 Management Tools - Reserved

2.110 Records and Inspections

2.111 Records and Inspections

The State will have at all times during the term of this Contract the rights hereinafter set out to monitor and audit the provision of the Services performed by the Contractor. Not more than once per calendar year, upon reasonable advance notice and during normal business hours, the State and/or its external auditors or regulators, as the State or any regulatory authority having jurisdiction over the State may designate, shall have the right to reasonable access to the location or locations where records relating to the Service are being held, for the purpose of performing inspections of records and documents relating to the Service and of Contractor's provision of the Service. Access to any Contractor secure area or records shall be upon prior Contractor approval and may require execution of a confidentiality agreement acceptable to Contractor. The access of the State and its auditors or regulators under this Section shall be solely for the purpose of performing inspections of records and documents to verify compliance with this Contract. Contractor will provide to such auditors and regulators the assistance that they may reasonably require. The State shall ensure that such auditors and regulators adhere to the confidentiality requirements of this Contract. The State will be responsible for the costs of its auditors and regulators, whether external and internal. All information obtained during an audit of Contractor pursuant to this Section will be deemed to be confidential information of the Contractor and shall not be disclosed or used by the State or its auditors or regulators other than as necessary in connection with this Contract, or as required by law.

2.112 Errors

(a) If the audit demonstrates any errors in the statements provided to the State, then the amount in error shall be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four (4) quarterly statements. If a balance remains after four (4) quarterly statements, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly statement that the balance appeared on or termination of the contract, whichever is earlier.

(b) In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor shall pay all of the reasonable costs of the audit.

2.120 State Responsibilities

2.121 State Performance Obligations

(a) **Equipment and Other Resources.** To facilitate Contractor's performance of the Services/Deliverables, the State shall provide to Contractor such equipment and resources as identified in the Statements of Work or other Contract Exhibits as items to be provided by the State.



(b) Facilities. The State shall designate space as long as it is available and as provided in the Statement of Work, to house Contractor's personnel whom the parties agree will perform the Services/Deliverables at State facilities (collectively, the "State Facilities"). Contractor shall have reasonable access to, and unless agreed otherwise by the parties in writing shall observe and comply with all rules and regulations relating to, each of the State Facilities (including hours of operation) used by Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for Contractor's use, or to which Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

(c) Return. Contractor shall be responsible for returning to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

(d) Except as otherwise provided in **Section 2.220**, the State's failure to perform its responsibilities as set forth in this Contract shall not be deemed to be grounds for termination by Contractor. However, Contractor will not be liable for any default or delay in the performance of its obligations under this Contract to the extent such default or delay is caused by nonperformance of the State's obligations under this Contract, provided Contractor provides the State with reasonable written notice of such nonperformance and Contractor uses commercially reasonable efforts to perform notwithstanding the State's failure to perform. In addition, if the State's nonperformance of its responsibilities under this Contract materially increases the time required for Contractor's performance or Contractor's cost of performance, Contractor shall be entitled to seek an equitable extension via the Change Request process described in **Section 2.106**.

2.130 Security

2.131 Background Checks - Reserved

2.140 Reserved

2.150 Confidentiality

2.151 Freedom of Information

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.152 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor shall mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below) which is marked confidential, restricted, proprietary or with a similar designation. "Confidential Information" of the State shall mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State pursuant to applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. In the case of information of either Contractor or the State "Confidential Information" shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

2.153 Protection of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party.



Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access in order to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect such Confidential Information from unauthorized use or disclosure.

2.154 Exclusions

Notwithstanding the foregoing, the provisions of this Section will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose such information to it without any obligation to restrict its further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose such Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

2.155 No Implied Rights

Nothing contained in this Section shall be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.156 Remedies

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, within a commercially reasonable time period after becoming aware of such use or disclosure.

2.157 Security Breach Notification

In the event of a breach of this Section, Contractor shall take (i) prompt corrective action to cure any such deficiencies and (ii) any action pertaining to such unauthorized disclosure required by applicable federal and state laws and regulations. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor shall report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of such use or disclosure or such shorter time period as is reasonable under the circumstances.

2.158 Survival

The parties' respective obligations under this Section shall survive the termination or expiration of this Contract for any reason.

2.159 Destruction of Confidential Information

Promptly upon termination or cancellation of the Contract for any reason, Contractor shall certify to the State that Contractor has destroyed or rendered unusable all State Confidential Information.

2.160 Proprietary Rights**2.161 Ownership**

Ownership of Work Product by State. All Deliverables shall be owned by the State and shall be considered works made for hire by the Contractor for the State. The State shall own all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

2.162 Source Code Escrow - Reserved**2.163 Rights in Data**

(a) The State will be and remain the owner of all data made available by the State to Contractor or its agents, Subcontractors or representatives pursuant to the Contract. Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of Contractor, nor will any employee of Contractor other than those on a strictly need to know basis have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, Contractor shall only use personally identifiable information as strictly necessary to provide the Services and shall disclose such information only to its employees who have a strict need to know such information. Contractor shall comply at all times with all laws and regulations applicable to such personally identifiable information.

(b) The State is and shall remain the owner of all State-specific data pursuant to the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State shall only use personally identifiable information as strictly necessary to utilize the Services and shall disclose such information only to its employees who have a strict need to know such information, except as provided by law. The State shall comply at all times with all laws and regulations applicable to such personally identifiable information. Other material developed and provided to the State shall remain the State's sole and exclusive property.

2.164 Ownership of Materials - Reserved**2.165 Standard Software - Reserved****2.166 Pre-existing Materials for Custom Software Deliverables - Reserved****2.167 General Skills - Reserved**2.170 Warranties And Representations**2.171 Warranties and Representations**

The Contractor represents and warrants:

(a) It is capable in all respects of fulfilling and shall fulfill all of its obligations under this Contract. The performance of all obligations under this Contract shall be provided in a timely, professional, and workman-like manner and shall meet the performance and operational standards required under this Contract.

(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.



(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under this Contract, nor their use by the State, will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.

(d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to such items in this Contract, Contractor shall assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.

(e) The contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.

(f) It is qualified and registered to transact business in all locations where required.

(g) Neither the Contractor nor any Affiliates, nor any employee of either, has, shall have, or shall acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor shall notify the State within two (2) days of any such interest that may be incompatible with the interests of the State.

(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor shall not attempt to influence any State employee by the direct or indirect offer of anything of value.

(i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or such Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

(k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by such financial statements, reports, other information. Since the respective dates or periods covered by such financial statements, reports, or other information, there have been no material adverse change in the business, properties, financial condition, or results of operations of Contractor.

(l) All written information furnished to the State by or behalf of Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make such information not misleading.

(m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or such department within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of such contract.

2.172 Software Warranties - Reserved

2.173 Equipment Warranty - Reserved



2.174 Physical Media Warranty - Reserved

2.175 Standard Warranties - Reserved

2.176 Consequences For Breach

In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, such breach may be considered as a default in the performance of a material obligation of this Contract.

2.180 Insurance

2.181 Liability Insurance

(a) Liability Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether such services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain pursuant to this Contract.

All insurance coverages provided relative to this Contract/Purchase Order are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance shall be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State.

See http://www.mi.gov/cis/0,1607,7-154-10555_22535---,00.html.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before the Contract is signed by both parties or before the purchase order is issued by the State, the Contractor must furnish to the Director of Purchasing Operations, certificate(s) of insurance verifying insurance coverage ("Certificates"). The Certificate must be on the standard "accord" form or equivalent. **THE CONTRACT OR PURCHASE ORDER NO. MUST BE SHOWN ON THE CERTIFICATE OF INSURANCE TO ASSURE CORRECT FILING.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) shall contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected and be mailed to: Director, Purchasing Operations, Department of Management and Budget, P.O. Box 30026, Lansing, Michigan 48909. Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.



The Contractor is required to pay for and provide the type and amount of insurance checked below:

1. Commercial General Liability with the following minimum coverage:

\$2,000,000 General Aggregate Limit other than Products/Completed Operations
\$2,000,000 Products/Completed Operations Aggregate Limit
\$1,000,000 Personal & Advertising Injury Limit
\$1,000,000 Each Occurrence Limit
\$500,000 Fire Damage Limit (any one fire)

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

3. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

4. Employers liability insurance with the following minimum limits:

\$100,000 each accident
\$100,000 each employee by disease
\$500,000 aggregate disease

5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars (\$1,000,000.00) with a maximum deductible of fifty thousand dollars (\$50,000.00).

6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars (\$10,000,000.00), which shall apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars (\$3,000,000.00) each occurrence and three million dollars (\$3,000,000.00) annual aggregate.

8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of such office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to the replacement value thereof, where such office space and its contents are under the care, custody and control of Contractor. Such policy shall cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State shall be endorsed on the policy as a loss payee as its interests appear.



(b) Subcontractors

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor shall require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) shall fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

(c) Certificates of Insurance and Other Requirements

Contractor shall furnish to Purchasing Operations certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor shall provide evidence that the State and its agents, officers and employees are listed as additional insureds under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

Contractor shall maintain all required insurance coverage throughout the term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor shall be responsible for all deductibles with regard to such insurance. If Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but without any obligation to do so) after the State has given Contractor at least 30 days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due Contractor, or Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

2.190 Indemnification

2.191 Indemnification

(a) General Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable.

(b) Code Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

(c) Employee Indemnification

In any and all claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.



(d) Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor shall have no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; or (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.192 Continuation of Indemnification Obligations

The Contractor's duty to indemnify pursuant to this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred prior to expiration or cancellation for a period not to exceed three (3) years from the date of expiration or cancellation.

2.193 Indemnification Procedures

The procedures set forth below shall apply to all indemnity obligations under this Contract.

(a) After receipt by the State of notice of the action or proceeding involving a claim in respect of which it will seek indemnification, the State shall promptly notify Contractor of such claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify Contractor shall relieve Contractor of its indemnification obligations except to the extent that Contractor can demonstrate damages attributable to such failure. Within 10 days following receipt of written notice from the State relating to any claim, Contractor shall notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying Contractor of a claim and prior to the State receiving Contractor's Notice of Election, the State shall be entitled to defend against the claim, at Contractor's expense, and Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during such period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State shall be entitled to participate in the defense of such claim and to employ counsel at its own expense to assist in the handling of such claim and to monitor and advise the State about the status and progress of the defense; (ii) Contractor shall, at the request of the State, demonstrate to the reasonable satisfaction of the State, Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) Contractor shall periodically advise the State about the status and progress of the defense and shall obtain the prior written approval of the State before entering into any settlement of such claim or ceasing to defend against such claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State shall have the right, at its own expense, to control the defense of that portion of such claim involving the principles of Michigan governmental or public law. Notwithstanding the foregoing, the State may retain control of the defense and settlement of a claim by written notice to Contractor given within 10 days after the State's receipt of Contractor's information requested by the State pursuant to clause (ii) of this paragraph if the State determines that Contractor has failed to demonstrate to the reasonable satisfaction of the State Contractor's financial ability to carry out its defense and indemnity obligations under this Section.



Any litigation activity on behalf of the State of Michigan, or any of its subdivisions pursuant to this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State pursuant to this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State shall have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor shall promptly reimburse the State for all such reasonable costs and expenses.

2.200 Limits of Liability and Excusable Failure

2.201 Limits of Liability - Reserved

2.202 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent such default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of such party; provided the non-performing party and its Subcontractors are without fault in causing such default or delay, and such default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

In such event, the non-performing party will be excused from any further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such party continues to use its commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay and provided further that such party promptly notifies the other party in writing of the inception of the excusable failure occurrence, and also of its abatement or cessation.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State shall not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance shall continue; (b) the State may terminate any portion of the Contract so affected and the charges payable there under shall be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to Contractor, except to the extent that the State shall pay for Services/Deliverables provided through the date of termination.

Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.



2.203 Disaster Recovery

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract will provide the State with priority service for repair and work around in the event of a natural or manmade disaster.

2.210 Termination/Cancellation by the State

The State may terminate this Contract without further liability or penalty to the State, its departments, divisions, agencies, offices, commissions, officers, agents and employees for any of the following reasons:

2.211 Termination for Cause

(a) In the event that Contractor breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA as defined in **Section 2.076**), which are either not capable of or subject to being cured, or are not cured within the time period specified in the written notice of breach provided by the State (such time period not to be less than 30 days), or pose a serious and imminent threat to the health and safety of any person, or the imminent loss, damage or destruction of any real or tangible personal property, the State may, having provided written notice of termination to Contractor, terminate this Contract in whole or in part, for cause, as of the date specified in the notice of termination.

(b) In the event that this Contract is terminated for cause, in addition to any legal remedies otherwise available to the State by law or equity, Contractor shall be responsible for all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs shall not be considered by the parties to be consequential, indirect or incidental damages, and shall not be excluded by any other terms otherwise included in this Contract, provided such costs are not in excess of 50% more than the prices for such Service/Deliverables provided under this Contract.

(c) In the event the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State shall pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

(d) In the event this Contract is terminated for cause pursuant to this Section, and it is determined, for any reason, that Contractor was not in breach of contract pursuant to the provisions of this section, that termination for cause shall be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties shall be limited to that otherwise provided in this Contract for a termination for convenience.

2.212 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that such a termination is in the State's best interest. Reasons for such termination shall be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days prior to the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract shall be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause shall cease on the effective date of the termination.

2.213 Non-Appropriation

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State shall have the right to terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor.



The State shall give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or such time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise made available, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in such manner and for such periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of such reduction.

(c) In the event the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor pursuant to this Section, the State shall pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. For the avoidance of doubt, this Section will not preclude Contractor from reducing or stopping Services/Deliverables and/or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.214 Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense incident to the application for, or performance of, a State, public or private Contract or subcontract; convicted of a criminal offense, including any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State reflects upon Contractor's business integrity.

2.215 Approvals Rescinded

The State may terminate this Contract without further liability or penalty in the event any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services pursuant to Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in such written notice.

2.216 Rights and Obligations Upon Termination

If this Contract is terminated by the State for any reason, Contractor shall stop all work as specified in the notice of termination.

2.217 Reservation of Rights

Any termination of this Contract or any Statement of Work issued under it by a party shall be with full reservation of, and without prejudice to, any rights or remedies otherwise available to such party with respect to any claims arising prior to or as a result of such termination.

2.218 Contractor Transition Responsibilities

In the event this contract is terminated, for convenience or cause, dissolved, voided, rescinded, nullified, expires or is otherwise rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. In the event of termination or the expiration of this Contract, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 90 days.

2.219 State Transition Responsibilities

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to perform the following obligations, and any others upon which the State and the Contractor agree:

- (a) Reconciling all accounts between the State and the Contractor;
- (b) Completing any pending post-project reviews.



2.220 Termination by Contractor

2.221 Termination by Contractor

If the State materially breaches its obligation to pay Contractor undisputed amounts due and owing under this Contract in accordance with **Section 2.090**, or if the State breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for Contractor to perform the Services, and if the State does not cure the breach within the time period specified in a written notice of breach provided to the State by Contractor (such time period not to be less than 30 days), then Contractor may terminate this Contract, in whole or in part based on Statement of Work for cause, as of the date specified in the notice of termination; provided, however, that Contractor must discharge its obligations under **Section 2.250** before any such termination. In addition, the Contractor may terminate this Contract for its convenience by giving the State written notice at least 270 days prior to the date of termination.

2.230 Stop Work - Reserved

2.240 Reserved

2.250 Dispute Resolution

2.251 In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work shall be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor shall submit a letter executed by Contractor's Contract Administrator or his designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the supporting data provided with such an affidavit are current and complete to Contractor's best knowledge and belief.

2.252 Informal Dispute Resolution

- (a) All operational disputes between the parties shall be resolved under the Contract Management procedures developed pursuant to **Section 2.100**. If the parties are unable to resolve any disputes after compliance with such processes, the parties shall meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve such dispute without the need for formal legal proceedings, as follows:
- (i) The representatives of Contractor and the State shall meet as often as the parties reasonably deem necessary in order to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.
 - (ii) During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.
 - (iii) The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.
 - (iv) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, shall issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute shall be considered the State's final action and the exhaustion of administrative remedies.
- (b) This **Section 2.250** will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or pursuant to **Section 2.253**.
- (c) The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work pursuant to the Contract.



2.253 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.252** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is such that the damages to such party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.254 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment shall not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.210** and **2.220**, as the case may be.

2.260 Federal and State Contract Requirements

2.261 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and any breach of this provision may be regarded as a material breach of the Contract.

2.262 Unfair Labor Practices

Pursuant to 1980 PA 278, MCL 423.231, *et seq.*, the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, shall not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.263 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor shall comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see <http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html>.

2.270 Litigation

2.271 Disclosure of Litigation - Reserved

2.272 Governing Law

The Contract shall in all respects be governed by, and construed in accordance with, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

**2.273 Compliance with Laws**

Contractor shall comply with all applicable state, federal, and local laws and ordinances ("Applicable Laws") in providing the Services/Deliverables.

2.274 Jurisdiction

Any dispute arising from the Contract shall be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to such jurisdiction on the grounds of lack of personal jurisdiction of such court or the laying of venue of such court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.280 Environmental Provision**2.281 Environmental Provision - Reserved**2.290 General**2.291 Amendments**

The Contract may not be modified, amended, extended, or augmented, except by a writing executed by the parties.

2.292 Assignment

(a) Neither party shall have the right to assign the Contract, or to assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as such affiliate is adequately capitalized and can provide adequate assurances that such affiliate can perform the Contract. Any purported assignment in violation of this Section shall be null and void. It is the policy of the State of Michigan to withhold consent from proposed assignments, subcontracts, or novations when such transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

(b) Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. In the event of any such permitted assignment, Contractor shall not be relieved of its responsibility to perform any duty imposed upon it herein, and the requirement under the Contract that all payments shall be made to one entity shall continue.

2.293 Entire Contract; Order of Precedence

(a) The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to such subject matter and as additional terms and conditions on the purchase order shall apply as limited by **Section 2.061**.

(b) In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of **Sections 2.110 through 2.220** of the Contract, which may be modified or amended only by a formal Contract amendment.

(c) In the event of any inconsistency between the Terms and Conditions (Article 2) and/or Statement of Work (Article 1) in the Contract and Exhibit A, the Terms and Conditions (Article 2) and/or Statement of Work (Article 1), will take precedence.

**2.294 Headings**

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.295 Relationship of the Parties (Independent Contractor Relationship)

The relationship between the State and Contractor is that of client and independent Contractor. No agent, employee, or servant of Contractor or any of its Subcontractors shall be or shall be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

2.296 Notices

(a) Any notice given to a party under the Contract shall be deemed effective, if addressed to such party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third (3rd) Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:

State of Michigan
Purchasing Operations
Attention: Melissa Castro
PO Box 30026
530 West Allegan
Lansing, Michigan 48909

Contractor(s):

JP Morgan Chase
Attn: Jason C. Howard
110 Penn Lane
West Chester, PA 19382

Either party may change its address where notices are to be sent by giving notice in accordance with this Section.

(b) Binding Commitments

Representatives of Contractor identified in Article 1, Attachment B shall have the authority to make binding commitments on Contractor's behalf within the bounds set forth in such table. Contractor may change such representatives from time to time upon written notice.

2.297 Media Releases and Contract Distribution

(a) Media Releases

Neither Contractor nor the State will make any news releases, public announcements or public disclosures, nor will they have any conversations with representatives of the news media, pertaining to the Contract, the Services or the Contract without the prior written approval of the other party, and then only in accordance with explicit written instructions provided by that party. In addition, neither Contractor nor the State will use the name, trademarks or other proprietary identifying symbol of the other party or its affiliates without such party's prior written consent. Prior written consent of the Contractor must be obtained from authorized representatives.

(b) Contract Distribution

Purchasing Operations shall retain the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

**2.298 Reformation and Severability**

Each provision of the Contract shall be deemed to be severable from all other provisions of the Contract and, if one or more of the provisions of the Contract shall be declared invalid, the remaining provisions of the Contract shall remain in full force and effect.

2.299 Consents and Approvals

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, such consent or approval shall be in writing and shall not be unreasonably withheld or delayed.

2.300 No Waiver of Default

The failure of a party to insist upon strict adherence to any term of the Contract shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

2.301 Survival

Any provisions of the Contract that impose continuing obligations on the parties including the parties' respective warranty, indemnity and confidentiality obligations, shall survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section.

2.302 Covenant of Good Faith

Each party agrees that, in its dealings with the other party or in connection with the Contract, it shall act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.303 Permits - Reserved**2.304 Website Incorporation**

State expressly states that it will not be bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of such content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representation of the State.

2.305 Taxes

Vendors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes defined in Section 3.022 for all persons involved in the resulting Contract.

The State may refuse to award a contract to any Vendor who has failed to pay any applicable State taxes. The State may refuse to accept Vendor's bid, if Vendor has any outstanding debt with the State. Prior to any award, the State will verify whether Vendor has any outstanding debt with the State.

2.306 Prevailing Wage - Reserved



2.307 Call Center Disclosure

Contractor and/or all subcontractors involved in the performance of this Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information shall be a material breach of this Contract.

2.308 Future Bidding Preclusion - Reserved

2.310 Reserved

2.320 Extended Purchasing - Reserved

2.330 Federal Grant Requirements – Reserved

**Exhibit A - Commercial Card Agreement**

1. *Definitions.* Terms defined in the singular shall include the plural and vice versa, as the context requires.

“Access Code” means the user identification code and password assigned to individuals authorized by the Client, for use in connection with the Program or the System.

“Account” means the Visa or MasterCard account number assigned to a Cardholder and/or the Client, the related account, and any Card bearing such account number.

“Account Credit Limit” means the upper limit established for an extension of credit that the Bank may authorize with respect to an Account.

“Agreement” means this Commercial Card Agreement as it may be amended from time to time.

“Association” means either MasterCard or Visa.

“Authorized User” means individuals authorized by the Client to access and use the Program and System.

“Business Day” means a day on which both the Bank and the Federal Reserve Banks are open for business.

“Card” means a Visa or MasterCard card that is issued by the Bank with respect to an Account.

“Card Request” means a written or electronic transmittal from the Client, requesting the Bank to issue a Card(s) or establish an Account(s).

“Cardholder” means (i) an individual in whose name a Card is issued, and (ii) any other employee, officer, director, or person authorized by the Client or named Cardholder to use a Card or Account.

“Cardholder Agreement” means an agreement between the Bank and a Cardholder, as amended from time to time, governing use of an Account.

“Cash Transaction Module” (“CTM”) means a System tool used in connection with the processing, management, and approval of cash transactions.

“Convenience Checks” means a check written against an Account.

“Client Account” means the account of the Client into which the outstanding balances of all Accounts are aggregated and for which the Client is liable.

“Client Vendor” means a travel agent, travel agency or any other vendor of Client authorized by the Client to charge Transactions to an Account.

“Corporate Liability” means the Client is liable for all Transactions on an Account and such liability shall be as agreed to by the parties and reflected on the Bank’s records and subject to this Agreement.

“Credit Limit” means the upper limit established for an extension of credit that the Bank may authorize in connection with this Program under this Agreement.

“Credit Losses” means all amounts, including any related collection costs, due to the Bank in connection with any Account that the Bank has written off as uncollectible, excluding Fraud Losses.

“Cycle” means the monthly period ending on the same day each month, or, if that day is not a Business Day, then the following Business Day or preceding Business Day, as systems may require or such other period as the Bank may specify.

“Fraud Losses” means all amounts due to the Bank in connection with any Account that the Bank has written off as uncollectible as a result of an Account being lost, stolen, misappropriated, improperly used or compromised.



“**International Transaction**” means any Transaction that is made in a currency other than U.S. dollars or is made in U.S. dollars outside of the United States of America.

“**Joint and Several Liability**” means the Client and Cardholder are jointly and severally liable for all Transactions on an Account and such liability shall be as agreed by the parties and reflected on the Bank’s records, subject to the Cardholder Agreement and this Agreement.

“**MCC**” means a Merchant Category Code as designated by Visa or MasterCard.

“**Losses**” means all Credit Losses and Fraud Losses.

“**Marks**” means the name, trade name, and all registered or unregistered service marks of the Client, the Association and the Bank.

“**MasterCard**” means MasterCard International, Inc.

“**Program**” means the commercial card system composed of Accounts, Card-use controls, and reports to facilitate purchases of and payments for, business goods and services, established in connection with this Agreement.

“**Program Administrator**” means an individual authorized by the Client to perform various administrative and security functions in connection with the Program and System.

“**System**” means the conduit through which the Client can access Account and Transaction data and reports.

“**Transaction**” means a purchase, a cash advance, use of a convenience check, fees, charges or any other activity that results in a debit to an Account.

“**Visa**” means Visa U.S.A., Inc.

2. *Obligations of the Bank.* In connection with the Client’s participation in the Program, the Bank shall:

- A. Establish Accounts and where applicable issue Cards with such capabilities as may be elected by the Client and agreed to by the Bank from time to time. Any Cards and any Cardholder statements will be delivered to a U.S. address of the Client or Cardholder unless otherwise agreed. The Accounts are non-transferable and non-assignable. The Cards shall remain the property of the Bank.
- B. The Bank may investigate the identity of the Client and any proposed or existing Cardholder by obtaining, verifying, and recording personal identifying information, and may if reasonably necessary obtain such information from third parties.
- C. Make available to the Client any corporate liability waiver coverage extended by Visa or MasterCard in connection with suspected employee misuse of an Account.

3. *Obligations of the Client.* In connection with the Program, the Client shall:

- A. Initially request a minimum of 10 Accounts in connection with the Program by submitting a Card Request. From time to time the Client may submit to the Bank a Card Request form for additional cards. The Card Request shall be in a form approved by the Bank, shall include all information required by the Bank, and shall be accompanied by such evidence of authority for the Card Request as the Bank may require. All Card Requests shall be delivered to the Bank in a secure, encrypted, or password protected format or by such other method as may be mutually agreed to by the parties. By submitting any Card Request, the Client represents to the Bank that the information contained therein is consistent with the Client’s own records concerning the listed Cardholder or entity. The Client represents that the Cards and Accounts to be issued and established under this Agreement are substitutes for accepted cards and accounts, or will be sought and issued only in response to written requests or applications for such Cards or Accounts obtained by the Client from the prospective Cardholders in accordance with Section 226.12 (a) of Regulation Z of the Federal Truth in Lending Act. The Client shall retain such applications (paper or electronic) for any Account when such application is not provided to the Bank, for a period of 25 months after the application has been received and acted upon. The Client agrees to use reasonable security precautions to safeguard Accounts in connection with their storage, use, and dissemination of Accounts.



- B. Notify each Cardholder that the Accounts are to be used only for business purposes, for purchase transactions, travel and entertainment, cash advances, and fleet and fuel transactions in each case that benefit the Client either directly or indirectly.
- C. Clearly disclose to each of its Cardholders the extent, if any, to which the Bank will provide Transaction and Account information to third parties.
- D. Make commercially reasonable efforts to (i) maintain a process ensuring timely and accurate reimbursement of all business purchase transactions to its Cardholders, (ii) not exceed the Credit Limit or permit Cardholders to exceed the Account Credit Limits, and (iii) collect and destroy any Cards it no longer requires in connection with this Program.
- E. In connection with Joint and Several Liability Programs, (i) provide the Cardholders with the Commercial Card Cardholder Agreement attached as Exhibit A hereto, and (ii) make commercially reasonable efforts to ensure that Cardholders comply with the Cardholder Agreements.
- F. Immediately notify the Bank of any Account for which the Client no longer has use.
- G. Immediately notify the Bank by phone of any Account that the Client knows or suspects has been lost, stolen, misappropriated, improperly used or compromised.
- H. Comply with all requirements of any corporate liability waiver coverage. Any balance outstanding associated with an Account for which a corporate liability waiver is requested shall become immediately due and payable.
- I. Notify the Bank of any Transaction the Client disputes within 60 days of the last day of the Cycle during which such Transaction is charged to the Client. The Client will use commercially reasonable efforts to assist the Bank in attempting to obtain reimbursement from the Merchant. The Bank will use commercially reasonable efforts to assist the Client in attempting to obtain reimbursement from the Merchant; provided, however, the Client understands that no chargebacks will be granted for Transactions resulting from Account usage where a Cardholder's name is not embossed on a Card or where there is no Card associated with such Account. The Client or Cardholder shall not be relieved of liability for any disputed Transaction if the chargeback is rejected. The Bank shall not be liable for any Transaction where notice of the disputed Transaction is received from the Client more than 60 days after the last day of the Cycle during which such Transaction is charged to the Client. The Client shall not make a claim against the Bank or refuse to pay any amount because the Client or the person using the Card may have a dispute with any Merchant as to the goods or services purchased from such Merchant which has honored the Card for that purchase.

4. *Liabilities of the Client.*

- A. Regardless of any established Credit Limits or Account Credit Limits, the Client agrees to pay and perform when due all of its obligations, including without limitation:
 - i) With respect to Corporate Liability Accounts, the Client shall be liable for all amounts owing and payable under or in connection with each such Account and this Agreement. The Client shall make payment as specified on Attachment A for all Transactions posted to a Client Account as reflected on a periodic statement no later than the payment date (the "Payment Date"). If such Payment Date is a Saturday, Sunday, or Bank holiday, the payment shall be due on either the previous or the next business day as specified on the periodic statement. If all or any portion of a payment owed by the Client is not received by the Bank by the Payment Date, then any amounts outstanding shall be subject to the late fees and delinquency fees as specified on Attachment A until payment in full of all such amounts.
 - ii) With respect to Joint and Several Liability Accounts, the Client shall pay to the Bank, within 10 days of written notice, all amounts owing and payable under or in connection with each such Account not paid by a Cardholder within 120 days of the first billing.
- B. The Client shall immediately notify the Bank by phone of any Account that the Client knows or suspects has been lost, stolen, misappropriated, improperly used or compromised. The Client will be liable for all Transactions made on an Account prior to notification of such lost, stolen, misappropriated, improperly used or compromised Account. The Client will further be liable for Transactions after such notification has occurred if such Transactions result in a direct or indirect benefit to the Client or any Cardholder.



- C. The Client's obligations shall be enforceable regardless of the validity or enforceability of a Cardholder's obligations. The Client waives any defenses based upon any
- i) exercise, delay or waiver of any right, power, or remedy under any Cardholder Agreement,
 - ii) bankruptcy or similar proceedings, or any discharge, affecting a Cardholder, the Client, or others,
 - iii) modification of any Cardholder Agreement,
 - iv) settlement with or release of any Cardholder, and/or
 - v) action, inaction, or circumstance (with or without the Client's notice, knowledge, or consent) that varies the Client's risks or might otherwise legally or equitably constitute discharge of a surety or guarantor.
- D. Payments under this Agreement shall be made in U.S. dollars drawn on a U.S. bank or a U.S. branch of a foreign bank.
- E. If the Client elects to add Convenience Check capabilities to any Account, the Client will be liable for the amount of all Convenience Checks used in connection with such Account.
- F. If the Client allows a Client Vendor to charge Transactions to an Account, the Client is solely responsible for instructing such Client Vendor in the handling and processing of Transactions. Client Vendors are for all purposes agents only of the Client and not of the Bank. No fee shall be payable by the Bank to any Client Vendor for performing any services.

The Bank may require the Client to deliver to the Bank authorization information for each Client Vendor including, but not limited to (a) the name and address of each authorized individual of the Client Vendor, and (b) such other information in such format as the Bank may in its sole discretion require.

The Client shall immediately notify the Bank upon revoking a Client Vendor's authority. Notwithstanding anything to the contrary in this Agreement, the Client shall be liable for all amounts owing and payable under or in connection with each such Account and this Agreement.

5. *Liabilities of the Cardholder.* In connection with any Joint and Several Account, the Cardholder shall be liable for all amounts owing and payable under or in connection with such Account, as provided in the Cardholder Agreement and this Agreement.

6. *Credit.*

- A. The Bank, at its sole discretion, may authorize extensions of credit with respect to (i) each Account up to the Account Credit Limit, and (ii) all Accounts up to the Credit Limit. The Bank is entitled but not obligated to decline authorization of any Transaction that would result in any Credit Limit or Account Credit Limit being exceeded. Notwithstanding the foregoing, if the Client and/or the Cardholder exceed the Credit Limit and/or the Account Credit Limit, the Client and/or Cardholder shall pay all amounts exceeding the Credit Limit and/or Account Credit Limit as applicable.
- B. If not publicly available through the Securities and Exchange Commission, the Client shall provide the Bank with copies of its consolidated audited financial statements, including its annual income statement and balance sheet, prepared in accordance with GAAP, as soon as available and no later than 120 days after the end of each fiscal year. The Client shall provide such other current financial information as the Bank may request from time to time. If applicable, the Client will notify the Bank within five Business Days of any change in the Client's bond rating. The Bank shall be entitled to receive, and to rely upon, financial statements provided by the Client to Bank affiliates, whether for purposes of this Agreement or for other purposes.
- C. The Bank at any time may cancel or suspend the right of Cardholders to use any Account or Accounts, or decline to establish any Account. The Bank may, at any time, increase or decrease any Account Credit Limit or the Credit Limit, modify the payment terms, or require the provision of collateral or additional collateral.
- D. The Bank may from time to time require MCC authorization restrictions in connection with the Program.
- E. Notwithstanding the foregoing, the Bank shall not be obligated to extend credit or provide any Account to the Client or any Cardholder in violation of any limitation or prohibition imposed by applicable law.